

CASE

NUMBER:

99-031

INDEX FOR CASE: 99-031
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
Complaints - Rates
OF WEST SHELBY WATER DISTRICT

IN THE MATTER OF WEST SHELBY WATER DISTRICT VS. THE CITY OF
SHELBYVILLE, KENTUCKY AND THE SHELBYVILLE MUNICIPAL WATER
AND SEWER COMMISSION

SEQ NBR	ENTRY DATE	REMARKS
0001	01/25/99	Application.
0002	01/29/99	Acknowledgement letter.
M0001	02/04/99	FRANK CHUPPE SHELBYVILLE MUNICIPAL W-REQUEST FOR COPY OF APPLICATION
0003	02/09/99	Response to Frank Chuppe's letter of 2/4/99
0004	03/10/99	Order entered; info due 3/22
M0002	03/22/99	FRANK CHUPPE/SHELBYVILLE MUNICIPAL-SHELBYVILLE ANSWER AND COUNTERCLAIM
M0003	04/02/99	DONALD PRATHER / WEST SHELBY WATER-REPLY TO CONTERCLAIM FILED BY DEFENDANTS
0005	05/10/99	Order sched. IC on 8/31 & hearing on 9/8; testimony due 8/3; rebuttal due 8/16.
M0004	05/21/99	DONALD PRATHER NORTH SHELBY WATER-MOTION FOR EXTENSION OF TIME TO FILE
0006	06/04/99	Order revising procedural schedule; IC 9/30; Hearing 10/8.
M0005	06/10/99	FRANK CHUPPE SHELBYVILLE MUNICIPAL-NOTICE OF INTENT & MOTION TO MODIFY SCHEDULING ORDER
0007	06/11/99	Order directing each party to file cost-of-service studies by 6/21.
M0006	06/21/99	DONALD PRATHER WEST SHELBY WD-MOTION FOR EXTENSION OF TIME
M0007	06/21/99	DONALD PRATHER WEST SHELBY WD-RESPONSE TO ORDER OF JUNE 11, 99 TO MARCH 8, 94 STAFF REPORT RA
M0008	06/21/99	FRANK CHUPPE CITY OF SHELBYVILLE & S-RESPONSE TO ORDER OF JUNE 11, 99 & REQUEST FOR PRODUCTI
M0009	07/09/99	FRANK CHUPPE WEST SHELBY WD-RESPONSE TO PLANTIFFS MOTION FOR AN EXTENSION OF TIME
0008	07/15/99	Procedural Order entered setting IC 10/21/99 and FH 10/28/99 etc.
M0010	07/28/99	DONALD PRATHER WEST SHELBY WD-MOTION TO DISMISS PROCEEDING
M0011	07/30/99	FRANK CHUPPE CITY OF SHELBYVILLE-RESPONSE TO COMPLAINT'S MOTION TO DISMISS
M0012	08/03/99	FRANK CHUPPE / CITY OF SHELBYVILLE-MOTION TO DISMISS COUNTERCLAIM WITHOUT PREJUDICE
0009	08/18/99	FINAL ORDER DISMISSING COMPLAINT



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-031
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on August 18, 1999.

See attached parties of record.

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY. 40067

The City of Shelbyville
315 Washington Street
Shelbyville, KY. 40065

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY. 40066

Honorable Donald T. Prather
Attorney for West Shelby Water
P. O. Box 1059
Shelbyville, KY. 40066 1059

Honorable Frank F. Chuppe
Counsel for City of Shelbyville
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, KY. 40202 2898

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WEST SHELBY WATER DISTRICT)	
COMPLAINANT)	
V.)	CASE NO. 99-031
THE CITY OF SHELBYVILLE, KENTUCKY,)	
A MUNICIPAL CORPORATION; AND THE)	
SHELBYVILLE MUNICIPAL WATER AND)	
SEWER COMMISSION)	
DEFENDANTS)	

O R D E R

Upon motion of complainant, West Shelby Water District, to dismiss the complaint herein without objection from defendants, and upon motion of the defendants, The City of Shelbyville, Kentucky and The Shelbyville Municipal Water and Sewer Commission, to dismiss their counterclaim without objection from complainant, and the Commission being otherwise sufficiently advised, IT IS HEREBY ORDERED that the complaint and the counter-complaint herein are dismissed.

Done at Frankfort, Kentucky, this 18th day of August, 1999.

By the Commission

ATTEST:


Executive Director

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235

FAX: 502 589-0309

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

29 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
615 255-6161

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

August 2, 1999

RECEIVED

AUG 3 1999

PUBLIC SERVICE
COMMISSION

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

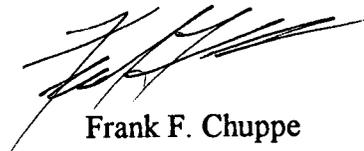
**RE: Case No. 99-031
West Shelby Water District v. The City of Shelbyville, et al.**

Dear Stephanie:

Enclosed please find ten (10) copies of Defendants' Motion to Dismiss the Above-Captioned Proceeding, which we are submitting for filing to the Public Service Commission. Thank you for your cooperation and please let me know if there are any questions.

Very truly yours,

WYATT, TARRANT & COMBS



Frank F. Chuppe

FFC/kdg
Enclosures
E:\FFC\BELL-2.LTR.wpd

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 3 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

WEST SHELBY WATER DISTRICT)

COMPLAINANT)

v.)

CASE NO. 99-031)

THE CITY OF SHELBYVILLE, KENTUCKY,)
A MUNICIPAL CORPORATION; and THE)
SHELBYVILLE MUNICIPAL WATER AND)
SEWER COMMISSION)

DEFENDANTS)

**DEFENDANTS' MOTION TO DISMISS
THE ABOVE-CAPTIONED PROCEEDING**

Defendants City of Shelbyville and Shelbyville Municipal Water and Sewer Commission previously filed a Response to the Plaintiff's Motion to Dismiss the Complaint, in which they stated they had no objection to that Motion to Dismiss. Defendants now move the Commission to dismiss their Counterclaim without prejudice.

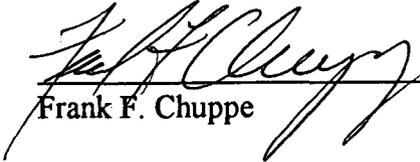
Respectfully submitted,


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for Shelbyville Municipal Water and Sewer
Commission, and the City of Shelbyville

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 2nd day of August, 1999, upon Donald T. Prather, P.O. Box 1059, Shelbyville, Kentucky 40066-1059.



Frank F. Chuppe

E:\FFC\WESTSHELBY.MTD.wpd

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235

FAX: 502 589-0309

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

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10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

July 29, 1999

FILED
JUL 29 1999
CIVIL SERVICE

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

**RE: Case No. 99-031
West Shelby Water District v. City of Shelbyville, et al.**

Dear Stephanie:

Enclosed for filing please find ten (10) copies of the City of Shelbyville and Shelbyville Municipal Water and Sewer Commission's Response to the Complainant's Motion to Dismiss. Thank you.

Very truly yours,

WYATT, TARRANT & COMBS

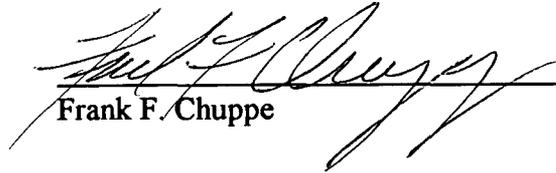


Frank F. Chuppe

FFC/kdg
Enclosures
E:\FFC\BELL.LTR.wpd

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 29th day of July, 1999, upon Donald T. Prather, P.O. Box 1059, Shelbyville, Kentucky 40066-1059.



Frank F. Chuppe

E:\FFCWESTSHELBY2.RTM.wpd

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059
SHELBYVILLE, KENTUCKY 40066-1059

RECEIVED

JUL 28 1999

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

PUBLIC SERVICE
COMMISSION
HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

July 27, 1999

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

Re: West Shelby Water District vs City of Shelbyville,
Kentucky and The Shelbyville Municipal Water and Sewer
Commission
Case No. 99-031

Dear Ms. Helton:

We enclose the original and thirteen copies of West Shelby
Water District's Motion To Dismiss Proceeding for filing in the
above matter.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: 
Donald T. Prather

DTP/kr
Enclosures
cc: West Shelby Water District
Warner A. Broughman, III
2WTR\WS\PSC\PSC4.LTR

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

JUL 28 1999

In The Matter Of:

WEST SHELBY WATER DISTRICT)	
)	
COMPLAINANT)	
)	
vs)	CASE NO. 99-031
)	
THE CITY OF SHELBYVILLE, KENTUCKY,)	
A MUNICIPAL CORPORATION; and THE)	
SHELBYVILLE MUNICIPAL WATER AND)	
SEWER COMMISSION)	
)	
DEFENDANTS)	

MOTION TO DISMISS PROCEEDING

** ** * ** *

Comes West Shelby Water District ("West Shelby"), by counsel, and respectfully moves that the Commission dismiss this rate challenge proceeding, without prejudice. West Shelby does not believe it would be a prudent expenditure of our customers' resources to pursue this matter. For purposes of future rate increases, this Motion should not be interpreted to mean that West Shelby agrees or disagrees with Shelbyville's current rates, nor should it be interpreted as an approval by West Shelby of the methodology used by Shelbyville to calculate its rates.

Mathis, Riggs & Prather, P.S.C.

By: 
 Donald T. Prather
 P.O. Box 1059
 Shelbyville, Kentucky 40066-1059
 Phone: (502) 633-5220
 Fax: (502) 633-0667
 Attorney for West Shelby Water District

CERTIFICATE OF SERVICE

It is certified that a true and correct copy of the foregoing Motion to Dismiss Proceeding was served by U.S. Mail, first class, postage prepaid, this 27 day of July, 1999 upon the following:

Frank F. Chuppe, Esq.
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, Kentucky 40202-2898

Ray Larmee
Chairman
West Shelby Water District
P.O. Box 26
Simpsonville, Kentucky 40067

City of Shelbyville
315 Washington Street
Shelbyville, Kentucky 40065

Gene P. Fouts
Manager
Shelbyville Municipal Water and Sewer Commission
1059 Washington Street
Shelbyville, Kentucky 40065



Donald T. Prather

2wtr\ws\psc\9931\motion.dis



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 15, 1999

To: All parties of record

RE: Case No. 99-031

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/lmh
Enclosure

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY 40067

The City of Shelbyville
315 Washington Street
Shelbyville, KY 40065

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY 40066

Honorable Donald T. Prather
Attorney for West Shelby Water
P. O. Box 1059
Shelbyville, KY 40066

Honorable Frank F. Chuppe
Counsel for City of Shelbyville
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, KY 40202 2898

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WEST SHELBY WATER DISTRICT)	
)	
COMPLAINANT)	
)	
vs.)	CASE NO. 99-031
)	
THE CITY OF SHELBYVILLE, KENTUCKY, A)	
MUNICIPAL CORPORATION; AND, THE)	
SHELBYVILLE MUNICIPAL WATER AND SEWER)	
DISTRICTS)	
)	
DEFENDANTS)	

O R D E R

On June 4, 1999, a second procedural Order was entered upon motion by Complainant, by counsel, which extended all procedural steps for a period of approximately 30 days. The Order was entered without objection by the Defendants. On June 10, 1999, a motion by Defendants was entered into the record which requested that the hearing date (October 8, 1999) be changed. On June 21, 1999 (served by mail June 17, 1999), there was filed in the record a second motion by Complainant requesting that a third procedural Order be entered which would again extend all procedural steps an additional 30 days. The Defendants, by counsel, filed an objection to Complainant's June 21, 1999 motion for extension.

The Commission, being otherwise sufficiently advised, HEREBY ORDERS that:

1. After this extension, further delay of the procedural steps by Complainant will be granted only upon showing of good cause.

2. The motion by Defendants to reschedule the hearing date herein is granted since the Commission grants Complainant's motion to issue a third procedural Order.

3. An informal conference shall be conducted on October 21, 1999, at 9:00 a.m., Eastern Daylight Time, in Hearing Room 2 of the Commission's offices at 677 Comanche Trail, Frankfort, Kentucky and continue until adjourned. The purpose of the conference shall be to consider any matter which would expedite the handling or disposition of this proceeding, including but not limited to, settlement, simplification of issues and the contents of the record.

4. A formal hearing in this matter shall be held on October 28, 1999 at 9:00 a.m., Eastern Daylight Time, in Hearing Room 2 of the Commission's offices at 677 Comanche Trail, Frankfort, Kentucky .

5. Each party may, on or before July 21, 1999, serve upon any other party a request for production of documents and written interrogatories to be answered by the party served within 15 days of service.

6. Each party may, on or before August 16, 1999, serve upon any other party a supplemental request for production of documents and supplemental written interrogatories to be answered by the party served within 10 days of service.

7. Each party may, on or before September 14, 1999, take the testimony of any person by deposition upon oral examination pursuant to notice or by agreement.

8. On or before October 4, 1999, each party shall file with the Commission in verified form the direct testimony of each witness that it expects to call at the formal hearing.

9. On or before October 18, 1999, each party shall file with the Commission in verified form the testimony of each rebuttal witness that it expects to call at the formal hearing.

10. Nothing contained herein shall preclude the Commission from ordering, on its own motion, either party to respond to the Commission's interrogatories or to produce documents or other materials.

11. Any party may within 14 days of the filing of the hearing transcript with the Commission submit an initial written brief. Reply briefs may be submitted no later than 7 days after the filing of initial briefs. Initial briefs shall not exceed 25 pages in length. Reply briefs shall not exceed 10 pages in length.

12. Copies of all documents served upon any party shall be served on all other parties and filed with the Commission.

13. As the Complainant bears the burden of proof in this matter, its failure to appear at the formal hearing and present proof in support of its complaint may result in the dismissal of its complaint with prejudice.

14. The failure of Defendant to appear at the formal hearing may result in the entry of an Order granting the Complainant's requested relief.

Done at Frankfort, Kentucky, this 15th day of July, 1999.

By the Commission

ATTEST:


Executive Director

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235
FAX: 502 589-0309

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

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615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

July 7, 1999

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

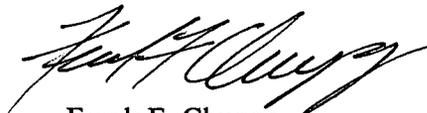
**RE: Case No. 99-031
West Shelby Water District v. City of Shelbyville, et al.**

Dear Stephanie:

I enclose ten (10) copies of the Defendants' Response to Plaintiff's Motion for an Extension of Time, which we ask be filed in the above-referenced matter. Thank you.

Very truly yours,

WYATT, TARRANT & COMBS



Frank F. Chuppe

FFC/kdg
Enclosures
cc: Dale Wright (via facsimile)
E:AFFCABELL.LTR.wpd

RECEIVED
JUL - 9 1999
PUBLIC SERVICE
COMMISSION

witness report requires an extension of all deadlines, the Motion for Extension of Time should be denied.

2. The Complainant's Motion also states that the Complainant's counsel would be on vacation from June 25, 1999, through July 5, 1999. The Motion for an extension of time contains no explanation or reason why the 10-day vacation of Complainant's counsel requires a delay of the entire proceeding for an additional 30 days.

For the reasons stated herein, Defendants ask that Complainant's Motion for Extension of Time be denied.

Respectfully submitted,

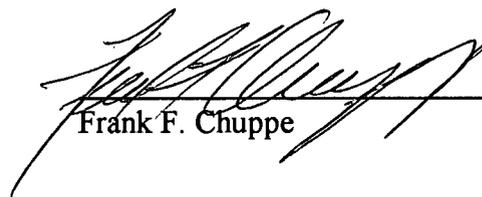


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for The Shelbyville Municipal Water and Sewer Commission, and the City of Shelbyville

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 7th day of July, 1999, upon Donald T. Prather, P.O. Box 1059, Shelbyville, Kentucky 40066-1059.



Frank F. Chuppe



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460
June 30, 1999

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

Gene P. Fouts
Manager
Shelbyville Municipal Water
& Sewer Commission
1059 Washington Street
P. O. Box 608
Shelbyville, KY 40066

Honorable Frank F. Chuppe
Attorney at Law
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY 40202 2898

RE: Case No. 99-265
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
(Rates – General)

Case No. 99-031 /
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
(Complaint – Rates) OF WEST SHELBY WATER DISTRICT

This letter is to acknowledge receipt of a notice of intent to file a rate application. The notice was filed as part of a filing in Case No. 99-031. We do understand that the notice relates to Case No. 99-031. However, the notice is being established as a new case. The notice was received on June 10, 1999, and has been assigned Case No. 99-265. In all future correspondence or filings made in connection with the rate application, please reference Case No. 99-265.

If I can be of any help on procedural matters, please feel free to contact me at 502/564-3940.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/jc



MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059

SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

June 18, 1999

RECEIVED
JUN 21 1999
PUBLIC SERVICE
COMMISSION

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

Re: West Shelby Water District vs City of Shelbyville,
Kentucky and The Shelbyville Municipal Water and Sewer
Commission
Case No. 99-031

Dear Ms. Helton:

Pursuant to the Commission's June 11, 1999 order, we enclose seven copies of a March 8, 1994 staff report rate study. West Shelby has not had any other costs-of-service and/or rate study performed or conducted within the preceding five years.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: Donald J. Prather
Donald T. Prather *by KM*

Enclosures

cc: Frank F. Chuppe, Esq.
The City of Shelbyville
Gene P. Fouts, Manger
Shelbyville Municipal Water & Sewer Commission
Warner A. Broughman, III
West Shelby Water District

DTP/kr
2WTR\WS\PSC\PSC3.LTR

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059

SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

June 18, 1999

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

Re: West Shelby Water District vs City of Shelbyville,
Kentucky and The Shelbyville Municipal Water and Sewer
Commission
Case No. 99-031

Dear Ms. Helton:

Pursuant to the Commission's June 11, 1999 order, we enclose seven copies of a March 8, 1994 staff report rate study. West Shelby has not had any other costs-of-service and/or rate study performed or conducted within the preceding five years.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: Donald T. Prather
Donald T. Prather

Enclosures

cc: Frank F. Chuppe, Esq.
The City of Shelbyville
Gene P. Fouts, Manger
Shelbyville Municipal Water & Sewer Commission
Warner A. Broughman, III
West Shelby Water District

DTP/kr
2WTR\WS\PSC\PSC3.LTR



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 8, 1994

Mr. Ray L. Larmee
West Shelby Water District
P. O. Box 26, Simpsonville, KY 40067

Hon. Donald T. Prather
Mathis, Riggs, Prather & Dean
P. O. Box 1059, Shelbyville, KY 40066 1059

RE: Case No. 93-448
WEST SHELBY WATER DISTRICT

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Don Mills".

Don Mills
Executive Director

DM /cg
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ADJUSTMENT OF RATES OF THE)
WEST SHELBY WATER DISTRICT) CASE NO. 93-448

O R D E R

On November 30, 1993, West Shelby Water District ("West Shelby") submitted its application for Commission approval of proposed water rates. The application was considered filed on February 8, 1994, when all deficiencies were cured. Commission Staff, having performed a limited financial review of West Shelby's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 15 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 15 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for a hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 7th day of March, 1994.

ATTEST:

By the Commission



Executive Director

FILED

MAR 08 1994

**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ADJUSTMENT OF RATES OF THE
WEST SHELBY WATER DISTRICT

)
) CASE NO. 93-448

STAFF REPORT

Prepared By: Karen S. Harrod, CPA
Public Utility Financial
Analyst, Chief
Water and Sewer Revenue
Requirements Branch
Division of Financial Analysis

Prepared By: Nicky Moore
Public Utility Rate
Analyst
Communications, Water
and Sewer Rate Design Branch
Division of Rates and Research

STAFF REPORT

ON

WEST SHELBY WATER DISTRICT

CASE NO. 93-448

A. Preface

On November 30, 1993, West Shelby Water District ("West Shelby") submitted its application with the Kentucky Public Service Commission ("Commission") seeking approval to increase its rates by 7 percent, an increase in annual operating revenues of \$30,871. The application was considered filed on February 8, 1994, when all deficiencies were cured.

In order to evaluate the requested increase, the Commission Staff ("Staff") would ordinarily perform a limited financial review of the utility's operations for the test period, the twelve month period ending December 31, 1992. However, in this instance, West Shelby requested and received Staff assistance in preparing its application. As a result, the field review procedures were performed prior to the filing of the application. Karen Harrod, of the Commission's Division of Financial Analysis conducted the review on May 13 and 17, 1993 at West Shelby's office, in Simpsonville, Kentucky. John Geoghegan and Nicky Moore of the Commission's Division of Rates and Research performed a review of West Shelby's reported revenues.

The findings of Staff's review have been reduced to writing in this report. Mr. Moore is responsible for the sections related to operating revenues and rate design. The remaining sections of the report were prepared by Ms. Harrod. Based upon the findings contained herein, Staff recommends that West Shelby be allowed to increase its annual operating revenues by the proposed amount of \$30,871.

Scope

The scope of the review was limited to obtaining information to determine whether test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed in this report.

During the course of the review, West Shelby was advised that all proposed adjustments to test year expenses must be supported by some form of documentation and that all such adjustments must be known and measurable.

B. Analysis of Operating Revenues and Expenses

Operating Revenue

West Shelby reported test-year operating revenue from metered water sales of \$410,879. An adjustment of \$7,276 was made to normalize the metered water sales making the total normalized operating revenue from metered water sales \$418,155. In addition, West Shelby reported other operating revenue of \$27,287. Metered sales and other operating revenue for the test year for the purpose of this report is \$445,442.

Operating Expenses

In its application West Shelby reported test year operating expenses of \$370,816 which it proposed to increase by \$13,655. The calculations to support West Shelby's proposed adjustments are included in Exhibit 5, Schedule B of the application. The proforma adjustments to test period expenses are discussed in the following sections of this report.

Salary Expense

West Shelby reported test year salary expense of \$61,332. An adjustment was proposed to increase this amount by \$6,308 to reflect the current salary levels. Staff has determined that this adjustment meets the rate-making criteria of being known and measurable. Accordingly, Staff has included an increase to test year salary expense of \$6,308.

Employee Pensions & Benefits

West Shelby's test period operations reflected employee pensions and benefits expense of \$10,164. An adjustment was proposed to increase this amount by \$950 to include retirement contributions and health insurance premiums at their current level. Staff has determined that this increase is reasonable and should be included for rate-making purposes.

Payroll Tax Expense

West Shelby reported test-year payroll tax expense of \$4,963 which it proposed to increase by \$212. This adjustment was based on the increase in payroll tax expense resulting from the proposed increase in salary expense. Staff is of the opinion that this increase should be included which results in a proforma level of payroll tax expense of \$5,175.

Purchased Water Expense

West Shelby reported test year purchased water expense of \$160,582. An adjustment was proposed to increase this to a level of \$161,576 in order to reflect the total normalized usage of 131,417,100 gallons and line loss of 9.52 percent. Staff has reviewed the calculations

supporting this adjustment and recommends an increase of \$994 be included for rate-making purposes.

Legal Expense

In its test-year operations West Shelby included legal expenses of \$3,527. An adjustment was proposed to increase this amount by \$73 to reflect the annualization of its current monthly retainer of \$300. Staff has included this adjustment to reflect a \$3,600 proforma level for legal expense.

Rent Expense

West Shelby reported test year rent expense of \$4,140 which it proposed to decrease by \$60. The district currently incurs monthly rent expense of \$340, or \$4,080 annually. Accordingly, Staff has included this adjustment in the calculation of West Shelby's pro forma operations.

Insurance Expense

For the test year West Shelby included insurance expense of \$6,674. In its application an adjustment was proposed to increase this amount by \$386 to reflect the current annual premiums for property and liability insurance and workman's compensation insurance. Staff is of the opinion that this is a known and measurable adjustment and has included it for rate-making purposes.

Miscellaneous Expense

West Shelby reported test year miscellaneous expense of \$4,901. An adjustment was proposed to decrease this amount by \$1,000 to eliminate a settlement payment to Norfolk Southern Railway that is not likely to

recur. Staff agrees with this adjustment and has included miscellaneous expense at a level of \$3,901 in West Shelby's adjusted operations.

Tank Painting

In its test year operations West Shelby included \$3,857 for the amortization of tank painting expense that was included in a previous rate case¹ but never actually incurred. Based on Staff's review, West Shelby received new bids on the tank painting on June 4, 1993 with the lowest bid price being \$44,400. In calculating a proforma level of tank painting expense West Shelby deducted amortization expense allowed since Case No. 91-367 in the amount of \$3,857 to determine the base amount to be amortized of \$40,543. Staff is of the opinion that an amortization period of seven years, as proposed by West Shelby, is appropriate. Accordingly, Staff has included an adjustment to increase tank painting expense by \$1,935, to reflect a proforma level of \$5,792.

Operations Summary

Based on the recommendations of Staff, West Shelby's operating statement would appear as set forth in Appendix B to this report.

C. Revenue Requirements Determination

West Shelby has outstanding long-term debt with the Farmer's Home Administration ("FHA") and the Louisville Water Company ("LWC"). The outstanding debt to LWC originated in 1988 as payment for the installation of a water main extension, constructed by LWC, to provide treated water to West Shelby. The repayment plan was included as part

¹ Case No. 91-367, Adjustment of Rates of the West Shelby Water District effective April 23, 1992.

of a contract between the two parties that was approved by the Commission in June 1988. The annual payment due to LWC is \$18,145.

West Shelby requested additional revenue of \$30,871. Based on the staff adjusted operating expenses, the 1.2x debt service coverage normally allowed by the Commission, and a dollar for dollar coverage of the annual debt payment to LWC, Staff believes West Shelby could justify additional revenue of \$42,902 (\$12,031 more than requested) as reflected in Exhibit 5, Schedule C of the application. However, since West Shelby's proposed rates will meet its actual debt service requirements and produce a positive cash flow of \$67,294,² Staff recommends that the proposed rates be accepted.

If West Shelby chooses to amend its application to reflect rates that will generate the additional revenue of \$42,902 which Staff believes could be justified, it should do so when filing comments to the Staff Report. In the event that West Shelby does request rates that differ from those previously noticed to its customers, it should be required to renotify its customers of the new proposed rates.

D. Rate Design

In its application, West Shelby filed a schedule of present and proposed rates that did not include any changes in its rate design. Staff agrees that the current rate structure should not be altered. The

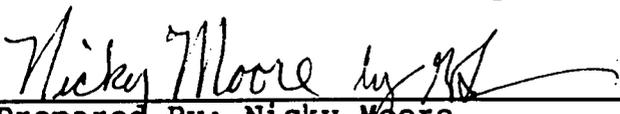
² Adjusted Operations	\$ 77,975
Add: Proposed Revenue Increase	30,871
Depreciation Expense	62,203
	<u>\$171,049</u>
Less: LWC Annual Debt Service	18,145
FHA Annual Debt Service	85,610
Net Cash Flow	<u>\$ 67,294</u>

Staff Report
CN 93-448
Page 7 of 7

recommended rates will generate the operating revenue requirement from water sales of \$449,026. Therefore, Staff recommends rates in Appendix A be approved for West Shelby service.

E. Signatures


Prepared By: Karen S. Harrod, CPA
Public Utility Financial
Analyst, Chief
Water and Sewer Revenue
Requirements Branch
Division of Financial Analysis


Prepared By: Nicky Moore
Public Utility Rate
Analyst
Communications, Water and
Sewer Rate Design Branch
Division of Rates and Research

APPENDIX A
TO STAFF REPORT CASE NO. 93-448

The Staff recommends the following rate be prescribed for customers of West Shelby Water District.

Usage Blocks

First 2,500 gallons	\$11.70 (Minimum Bill)
Next 7,500 gallons	4.05 per 1,000 gallons
Next 20,000 gallons	3.42 per 1,000 gallons
Next 200,000 gallons	2.92 per 1,000 gallons
Over 230,000 gallons	2.56 per 1,000 gallons

MINIMUM BILLS

<u>Meter Size</u>	<u>Gallons Allowed</u>	<u>Monthly Minimum</u>
5/8 inch	2,500	\$ 11.70
3/4 inch	3,500	15.75
1 inch	5,000	21.81
1-1/2 inch	10,000	42.03
2 inch	16,000	62.57
3 inch	30,000	110.51
4 inch	50,000	159.30
6 inch	100,000	305.36

APPENDIX B
TO STAFF REPORT CASE NO. 93-448

WEST SHELBY WATER DISTRICT
Statement of Adjusted Operations
Test Year Ended 12/31/92

	<u>Test Year Operations</u>	<u>Proposed Adjustments</u>	<u>Proposed Operations</u>
Operating Revenues			
Metered Water Sales	\$ 410,879	\$ 7,276	\$ 418,155
Fire Protection Revenue	14,904		14,904
Forfeited Discounts	5,348		5,348
Misc. Service Revenues	<u>7,035</u>		<u>7,035</u>
Total Operating Revenues	\$ 438,166	\$ 7,276	\$ 445,442
Operating Expenses			
Salaries	\$ 61,332	\$ 6,308	\$ 67,640
Commissioner Fees	10,800		10,800
Employee Pensions & Benefits	10,164	950	11,114
Purchased Water	160,582	994	161,576
Purchased Power	6,816		6,816
Materials & Supplies	13,575		13,575
Accounting	6,260		6,260
Legal	3,527	73	3,600
Rent	4,140	(60)	4,080
Transportation	72		72
Insurance	6,674	386	7,060
Bad Debt	2,225		2,225
Miscellaneous	4,901	(1,000)	3,901
Depreciation	62,203		62,203
Amortization	8,185		8,185
Payroll Taxes	4,963	212	5,175
PSC Assessment	540		540
Tank Painting	<u>3,857</u>	<u>1,935</u>	<u>5,792</u>
Total Operating Expenses	\$ 370,816	\$ 9,798	\$ 380,614
Operating Income	\$ 67,350	\$ (2,522)	\$ 64,828
Interest Income	13,426		13,426
Interest Expense	<u>279</u>		<u>279</u>
Income Available for Debt Service	<u>\$ 80,497</u>	<u>\$ (2,522)</u>	<u>\$ 77,975</u>



DEC 27 REC'D

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

December 15, 1994

Mr. Ray Larmee, Chairman
West Shelby Water District
P. O. Box 26
Simpsonville, Kentucky 40067

RE: Tariff Revision Pursuant to Public Service
Commission Order Number 94-438

Dear Mr. Larmee:

The above referenced tariff revision has been received and reviewed without objection. An accepted copy is enclosed for your files.

Sincerely,

A handwritten signature in cursive script that reads "Jordan Neel".

Jordan Neel
Public Utility Rate Analyst
Rates and Research Division

/gkt

Enclosure

For Entire Service Area

P.S.C. No. _____

West Shelby Water District
Name of Issuing Corporation

Tenth Revision Sheet No. 2

CANCELING P.S.C. Ky No. 93-448

Ninth Revision sheet No. 2

CLASSIFICATION OF SERVICE

Rate Per Unit

Applicable: Entire Area Served

Available: To all Customers served by the District

RATES:

5/8 Inch Meter

First	2,500 gallons per month, (minimum bill)	12.00 (I)
Next	7,500 gallons per month, per 1,000 gallons	4.17 (I)
Next	20,000 gallons per month, per 1,000 gallons	3.54 (I)
Next	200,000 gallons per month, per 1,000 gallons	3.04 (I)
Over	230,000 gallons per month, per 1,000 gallons	2.68 (I)

3/4 Inch Meter

First	3,500 gallons per month, (minimum bill)	16.17 (I)
Next	6,500 gallons per month, per 1,000 gallons	4.17 (I)
Next	20,000 gallons per month, per 1,000 gallons	3.54 (I)
Next	200,000 gallons per month, per 1,000 gallons	3.04 (I)
Over	230,000 gallons per month, per 1,000 gallons	2.68 (I)

1 Inch Meter

First	5,000 gallons per month, (minimum bill)	22.41 (I)
Next	5,000 gallons per month, per 1,000 gallons	4.17 (I)
Next	20,000 gallons per month, per 1,000 gallons	3.54 (I)
Next	200,000 gallons per month, per 1,000 gallons	3.04 (I)
Over	230,000 gallons per month, per 1,000 gallons	2.68 (I)

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

DEC 20 1994

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION

Date of Issue November 20, 1994

Date Effective December 20, 1994

ISSUED BY _____

Ray Larmee

TITLE Chairman

Issued by authority of an Order of the Public Service Commission
Kentucky in Case No. 94-438 dated December 12, 1994

For Entire Service Area

P.S.C. No. _____

West Shelby Water District
Name of Issuing Corporation

Tenth Revision Sheet No. 2

CANCELING P.S.C. Ky No. 93-448

Ninth Revision sheet No. 2

CLASSIFICATION OF SERVICE

Rate Per Unit

Applicable: Entire Area Served
Available: To all Customers served by the District

RATES:

1 1/2 Inch Meter

First	10,000 gallons per month, (minimum bill)	43.23 (I)
Next	20,000 gallons per month, per 1,000 gallons	3.54 (I)
Next	200,000 gallons per month, per 1,000 gallons	3.04 (I)
Next	230,000 gallons per month, per 1,000 gallons	2.68 (I)

2 Inch Meter

First	16,000 gallons per month, (minimum bill)	64.49 (I)
Next	14,000 gallons per month, per 1,000 gallons	3.54 (I)
Next	200,000 gallons per month, per 1,000 gallons	3.04 (I)
Over	230,000 gallons per month, per 1,000 gallons	2.68 (I)

3 Inch Meter

First	30,000 gallons per month, (minimum bill)	114.11 (I)
Next	200,000 gallons per month, per 1,000 gallons	3.04 (I)
Over	230,000 gallons per month, per 1,000 gallons	2.68 (I)

4 Inch Meter

First	50,000 gallons per month, (minimum bill)	165.30 (I)
Next	180,000 gallons per month, per 1,000 gallons	3.04 (I)
Over	230,000 gallons per month, per 1,000 gallons	2.68 (I)

6 Inch Meter

First	100,000 gallons per month, (minimum bill)	317.36 (I)
Next	130,000 gallons per month, per 1,000 gallons	3.04 (I)
Over	230,000 gallons per month, per 1,000 gallons	2.68 (I)

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

NOV 17 1994

PURSUANT TO 807 KAR 5011
SECTION 9 (1)
BY: *Justin H. ...*
FOR THE PUBLIC

Date of Issue November 20, 1994

Date Effective December 20, 1994

ISSUED BY _____

Ray Larmee

TITLE Chairman

Issued by authority of an Order of the Public Service Commission of
Kentucky in Case No. 94-438 dated Dec. 12, 1994

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059

SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

June 17, 1999

RECEIVED

JUN 21 1999

PUBLIC SERVICE
COMMISSION

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

Re: West Shelby Water District vs City of Shelbyville,
Kentucky and The Shelbyville Municipal Water and Sewer
Commission
Case No. 99-031

Dear Ms. Helton:

We enclose the original and thirteen copies of West Shelby
Water District's Motion for Extension of Time for filing in the
above matter.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: 
Donald T. Prather *by kr*

DTP/kr
Enclosures
cc: West Shelby Water District
Warner A. Broughman, III
2WTR\WS\PSC\PSC2.LTR

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

WEST SHELBY WATER DISTRICT)

COMPLAINANT)

vs)

THE CITY OF SHELBYVILLE, KENTUCKY,)
A MUNICIPAL CORPORATION; and THE)
SHELBYVILLE MUNICIPAL WATER AND)
SEWER COMMISSION)

DEFENDANTS)

CASE NO. 99-031

RECEIVED
JUN 21 1999
PUBLIC SERVICE
COMMISSION

MOTION FOR EXTENSION OF TIME

** ** * ** *

Comes the Complainant, by counsel, and respectfully moves that the Commission grant one final thirty (30) day extension of time for each of the matters listed in the Commission's June 4, 1999 Order in this case. The expert witness retained by Complainant has not been able to review the information and needs this time to provide his initial report. Additionally, the undersigned will be out of the office on vacation from June 25, 1999 through July 5, 1999. Frank Chuppe has been advised this motion will be filed. This request does not apply to the Commission's June 11, 1999 Order regarding copies of cost of service studies.

Mathis, Riggs & Prather, P.S.C.

By: 

Donald T. Prather
P.O. Box 1059
Shelbyville, Kentucky 40066-1059
Phone: (502) 633-5220
Fax: (502) 633-0667
Attorney for West Shelby Water
District

CERTIFICATE OF SERVICE

It is certified that a true and correct copy of the foregoing Motion for Extension of Time was served by U.S. Mail, first class, postage prepaid, this 17th day of June, 1999 upon the following:

Frank F. Chuppe, Esq.
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, Kentucky 40202-2898



Donald T. Prather

2wtr\ws\psc\9931\extension.2

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2888

502 589-5235

FAX: 502 589-0309

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

29 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
615 255-6161

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37683-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

June 18, 1999

RECEIVED

JUN 21 1999

PUBLIC SERVICE
COMMISSION

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

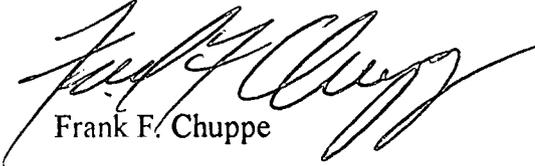
**RE: Case No. 99-031
West Shelby Water District v. City of Shelbyville
and Shelbyville Municipal Water and Sewer Commission**

Dear Stephanie:

Enclosed please find for filing 7 copies of the City of Shelbyville and Shelbyville Municipal Water and Sewer Commission's Response to the Public Service Commission's Order of June 11, 1999, and 7 copies of the City of Shelbyville and Shelbyville Municipal Water and Sewer Commission's Request for Production of Documents and Interrogatories to the Complainant, West Shelby Water District. Thank you for your attention to this matter.

Very truly yours,

WYATT, TARRANT & COMBS


Frank F. Chuppe

FFC/kdg
Enclosures
E:\FFCBELL.LTR.wpd

photographs, tape recordings, transcripts, checks, checkbooks, check stubs, check statements, bank statements, deposit slips, journals, general and subsidiary ledgers, worksheets, accounts, bills, promissory notes, invoices, punch cards, purchase orders, acknowledgments, authorizations, sales slips, receipts, shipping papers, letters or other forms of correspondence, telex, TWX and other teletype communications, computer printouts, any other printout sheets, movie film, slides, microfilm, microfiche, memoranda, reports, studies, summaries, minutes, minute books, circulars, notes (whether typewritten, handwritten or otherwise), agenda, bulletins, notices, announcements, proofs, sheets, instructions, charts, tables, manuals, brochures, magazines, pamphlets, lists, visitors' logs, schedules, price lists, telegrams, engineering and/or architectural drawings, other drawings, sketches, plans, blueprints, specifications, diagrams, drafts, books and records, desk calendars, notebooks, diaries, registers, appointment books, budgets, analyses, projections, minutes of meetings, conferences or discussions of any kind, tax returns, and other data compilations from which information can be obtained or translated.

The term "document" includes any copy or copies of any of the foregoing on which any mark, alteration or additional writing or other change from the original, or from any other copy, has been made; and it includes any and all documents in the possession of West Shelby Water District, or any of its officers, agents, servants, employees, representatives, attorneys or any other person acting on its behalf.

2. "You" means the West Shelby Water District, its agents, employees, representatives, commissioners and attorneys.

REQUEST FOR PRODUCTION OF DOCUMENTS

1. Please produce all documents that relate to your allegation in paragraph 6 of the Complaint that with the knowledge and approval of the City of Shelbyville the eastern half of West Shelby has become wholly reliant upon the Commission as the sole source of its wholesale water supply.

RESPONSE:

2. Please produce any documents that relate to your allegation in paragraph 10 of the Complaint that the Public Service Commission does not allow rates for construction to go into effect until the construction has been completed.

RESPONSE:

3. Please produce all documents that relate to your allegation in paragraph 15 of the Complaint that West Shelby believes it is the intent and practice of the City to unfairly subsidize the water rates charges users insider the City.

RESPONSE:

4. Please produce all documents that relate to your allegation that West Shelby is being asked to pay for expenses that do not benefit the West Shelby.

RESPONSE:

5. Please produce all documents that you believe relate to the allegation that the Shelbyville Municipal Water and Sewer Commission's rate to West Shelby is excessive.

RESPONSE:

6. Please produce any document that relates to a cost of service study, rate analysis, rate review, or any other documents that relate to the reasonableness of the rate Shelbyville Municipal Water and Sewer Commission charges to West Shelby.

RESPONSE:

7. Please produce any rate studies or cost of service studies prepared by or for West Shelby during the past five years.

RESPONSE:

8. Please produce all documents that relate to West Shelby's present and future demand for water use, including documents that relate to the amount of such usage and the sources from which West Shelby may obtain water in the future.

RESPONSE:

9. Please produce any documents prepared by your engineer or anyone retained by West Shelby to review the reasonableness of the rate charged by the Shelbyville Municipal Water and Sewer Commission to West Shelby.

INTERROGATORIES

1. Please state the factual basis for the allegation in paragraph 6 of the Complaint that the eastern half of West Shelby has become wholly reliant upon the Commission as the sole source of its wholesale water supply.

ANSWER:

2. Please state the factual basis for the allegation in paragraph 10 of the Complaint that "the rate increase is stated to be for future construction of water facilities."

ANSWER:

3. Please state the factual basis for the allegation in paragraph 12 of the Complaint that the rate increase will be partially used to pay for "certain wastewater facility work."

ANSWER:

4. Please describe the water distribution main referred to in paragraph 12 of the Complaint.

ANSWER:

5. Please state all facts known to you that support an allegation that the City and Commission water revenues subsidize City and Commission sewer revenues.

ANSWER:

6. Please state the factual basis for the allegation in paragraph 15 of the Complaint that it is the intent and practice of the City, acting by and through the Commission, to unfairly subsidize the water rates charged to users inside the City by shifting the economic burden of water production and distribution to the customers of West Shelby and other customers outside the City limits.

ANSWER:

7. Please state the factual basis for the allegation in paragraph 16 of the Complaint that the "new rate charged to West Shelby" is unreasonably high or inequitable.

ANSWER:

8. Please state the other sources from which West Shelby has purchased water within the past five years and the most recent rate that each source charges (or charged) West Shelby for water.

ANSWER:

9. Please state the volume of water that West Shelby has received from each source named in your answer to Interrogatory No. 8; please break down your answer by yearly volumes.

ANSWER:

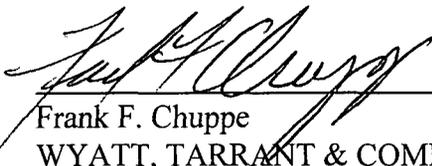
10. Please identify and describe the methodology that West Shelby Water District contends is the appropriate methodology for a municipal utility to use in setting rates to a wholesale customer.

ANSWER:

11. Please state the name and address of each expert witness from whom you intend to submit testimony in this proceeding, and for each such witness please state the subject matter on which the expert is expected to testify, and the substance of the facts and opinions to which the expert is expected to testify, and a summary of the grounds for each opinion.

ANSWER:

Respectfully submitted,

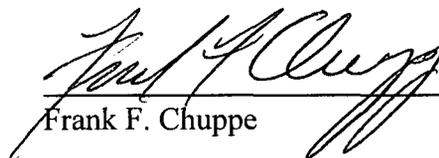


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for The Shelbyville Municipal Water and
Sewer Commission, and the City of Shelbyville

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 18th day of June 1999, upon Donald T. Prather, P.O. Box 1059, Shelbyville, Kentucky 40066.



Frank F. Chuppe

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WEST SHELBY WATER DISTRICT)
)
COMPLAINANT)
)
v.) CASE NO. 99-031
)
THE CITY OF SHELBYVILLE, KENTUCKY,)
A MUNICIPAL CORPORATION; and THE)
SHELBYVILLE MUNICIPAL WATER AND)
SEWER COMMISSION)
)
DEFENDANTS)

RECEIVED

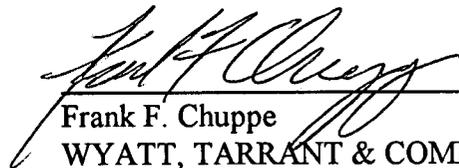
JUN 21 1999

PUBLIC SERVICE
COMMISSION

**CITY OF SHELBYVILLE AND SHELBYVILLE
MUNICIPAL WATER AND SEWER COMMISSION'S
RESPONSE TO COMMISSION'S ORDER OF JUNE 11, 1999**

In response to the Commission's Order of June 11, 1999, the City of Shelbyville and the Shelbyville Municipal Water and Sewer Commission enclose seven (7) copies of a 1998 rate study. Further, the Shelbyville Municipal Water and Sewer Commission recently engaged Howard K. Bell Consulting Engineers, Inc., to conduct another study which is expected to be completed in the next few weeks. Upon completion of that study, this filing will be supplemented by filing seven (7) copies of the new study.

Respectfully submitted,

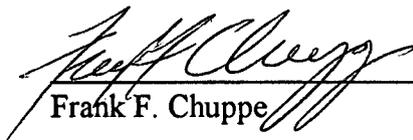


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for The Shelbyville Municipal Water and
Sewer Commission, and the City of Shelbyville

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 18 day of June 1999, upon Donald T. Prather, P.O. Box 1059, Shelbyville, Kentucky 40066.



Frank F. Chuppe

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UTILITY FINANCIAL STUDY
SHELBYVILLE MUNICIPAL WATER
AND SEWER COMMISSION
SHELBYVILLE, KENTUCKY

MARCH 1998

HKB **HOWARD K. BELL**
Consulting Engineers, Inc.

354 Waller Avenue, P.O. Box 546, Lexington, KY 40585 • 606/278-5412 • Fax 606/278-2911
102 W. Second Street, P.O. Box 661, Hopkinsville, KY 42240 • 502/886-5466 • Fax 502/886-5122
111 East Kentucky Street, Louisville, KY 40203 • 502/584-8877 • Fax 502/584-9393
3983 Teays Valley Road, Suite 208, P.O. Box 266, Scott Depot, WV 25560 • 304/757-8031



March 9, 1998

Mr. Gene Fouts, Manager
Shelbyville Municipal Water & Sewer Comm.
1059 Washington Street
P.O. Box 608
Shelbyville, KY 40066

Subject: Utility Financial Study

Gene:

Like many cities in Kentucky, Shelbyville has seen growth during the 90's to both its population and to its commercial/ industrial base. Growth of this nature generally provides job opportunities and increases the community's well being. Growth however brings the problem of providing adequate infrastructure, in this instance, adequate water and wastewater facilities. This report addresses the impact on utility rates to finance new water treatment facilities and to adequately fund operations and maintenance of current and proposed facilities. It is also the intent of this report to serve as a guideline for future rate setting methodology for the Shelbyville utility systems.

This report consists mainly of Exhibits 1 through 12 which are attached. A brief over-view of these exhibits will be provided in the following text.

Exhibit 1

Operations of the water and sewer systems are provided in Exhibit 1 for the fiscal year ended 6/30/97. Information provided therein is presented on a cash-needs basis in accordance with the City's utility revenue bond ordinances for the computation of coverage. This methodology is also recognized in the AWWA rates manual (M1) as an appropriate procedure for municipal utilities. Depreciation expense has therefore been excluded since it is a non-cash expense. Also, principal and interest payments for the maximum year plus required fees and coverage are included as debt service. The result indicates that the Shelbyville water and sewer systems generated sufficient revenues to meet combined coverage requirements of 1.20x maximum annual principal and interest. Revenues of the water system were significantly above current needs whereas sewer system revenues were significantly below total requirements. A summary to these operations are shown on the following page.

CURRENT OPERATIONS - WATER AND SEWER SYSTEMS

	Water	Sewer	Total
Operating Revenues	\$1,357,310	\$927,943	\$2,285,253
Operating Expenses	<u>745,136</u>	<u>581,961</u>	<u>1,327,097</u>
Net Operating Rev.	\$312,174	\$345,982	\$958,156
Other Income	<u>62,244</u>	<u>\$83,785</u>	<u>141,787</u>
Net Revenues	674,418	429,767	1,099,943
Debt Service	<u>379,607</u>	<u>529,437</u>	<u>909,044</u>
Coverage	1.78X	.81X	1.21X
Transfer to Gen. Fd.	\$107,367	\$73,403	\$180,770
Rev. After Transfer	\$187,444	(\$173,073)	\$10,129

Transfers to the City of \$180,770 left residual revenues of \$10,129. Although bond ordinance requirements for coverage were met, there is a question of whether current operations, if continued, would provide sufficient funding for renewal and replacement of infrastructure. This will be addressed more fully in a following section.

Exhibit 2

Outstanding long term debt, as presented in Exhibit 2, consists of KLC refinancing revenue bonds of 1991, and a KLC loan of 1996. This debt requires a maximum annual principal and interest obligation of approximately \$909,000. This debt service, along with coverage requirements, is allocated approximately 41.76% to the water system and 58.24% to the sewer system.

Item 4 of this exhibit considers the possibility of issuing KLC Bonds to fund approximately \$4,260,000 in water system improvements plus refinance the 1996 KLC loan. Refinancing of the 1996 KLC loan, a seven year amortization, would stretch out the repayment of those funds and thereby offset a portion of the impact of improvement funding.

There is also the potential for refinancing of the 1991 bonds. Item 5 of Exhibit 2 shows the potential debt service for the 1991 bonds assuming they were refinanced with current KLC bonds. The reduction in debt service, $(736,832 - 500,714) = \$236,118$, results from a reduced interest rate and extending the amortization period from 13 years for the current balance to 20 years for refinancing funds. When allocated between the water and sewer systems, the reduced debt

service would provide the following rate impact:

Twenty Year Amortization - 5%
RATE IMPACT - POTENTIAL REFINANCING OF 1991 BONDS

	Water	Sewer	Total
1991 Debt Service	\$310,722	\$426,110	\$736,832
Less Refinancing Debt Serv.	<u>-\$211,151</u>	<u>-\$289,593</u>	<u>\$-500,714</u>
Net Reduction - P&I	\$99,571	\$136,547	\$236,118
Add Coverage @ 20%	<u>\$19,914</u>	<u>\$27,309</u>	<u>\$47,224</u>
Total Rev. Impact	\$119,485	\$163,835	\$283,342
Percent of Metered Sales	9.24%	18.31%	
Per 1,000 Gals. Impact	\$0.15	\$0.37	

The computed impact of a 13 year amortization period, the same as outstanding 1991 bonds, is shown in the following table.

Thirteen Year Amortization - 5%
RATE IMPACT - POTENTIAL REFINANCING OF 1991 BONDS

	Water	Sewer	Total
1991 Debt Service	\$310,722	\$426,110	\$736,832
Less Refinancing Debt Serv.	<u>-\$280,129</u>	<u>-\$384,155</u>	<u>\$-664,284</u>
Net Reduction - P&I	\$30,593	\$41,955	\$72,548
Add Coverage @ 20%	<u>\$6,119</u>	<u>\$8,391</u>	<u>\$14,510</u>
Total Rev. Impact	\$36,712	\$50,346	\$87,058
Percent of Metered Sales	2.84%	5.64%	
Per 1,000 Gals. Impact	\$0.05	\$0.11	

The percent of metered sales or per 1,000 gallons impact represents the potential reduction to rates that may be implemented with refinancing of the 1991 bonds. This impact has not been incorporated into proposed rates found later in this report. It is possible that restrictions or penalties regarding refinancing would reduce the benefits shown above. If the Commission/City

wish to pursue this possibility, the potential for refinancing should be addressed by a fiscal agent. The rate impact can be recomputed as shown above if necessary.

Exhibit 3

The proposed water system improvements include a water distribution main, water plant expansion, an elevated storage tank and certain wastewater facility work. Project costs for these improvements total approximately \$4,260,000. Funding of these improvements will be from System Development Charge Funds totaling \$660,000 and KLC bonds. With refinancing of the outstanding balance of the 1996 KLC loan (\$749,8000), the proposed KLC bond requirement would be \$4,349,8000 before bond issuance costs. This information along with the options of using either fixed or variable rate financing is provided by Exhibit 3. The follow page provides a table summary.

FUNDS NEEDED - WATER SYSTEM IMPROVEMENTS

Proposed Water Facilities	\$4,260,000	
Refinancing 1996 KLC Loan	<u>\$749,800</u>	
Total	\$5,009,800	
Less System Dev. Charge Funds	<u>(\$660,000)</u>	
Fund Requirements	\$4,349,800	
	20 Yr. Fixed	20 Yr. Variable
Fund Requirements	\$4,349,800	\$4,349,800
Estimated Issuance Costs	<u>\$86,996</u>	<u>\$54,373</u>
Total Loan/Bond Requirement	\$4,436,796	\$4,404,173
Debt Service W/20%Coverage	\$427,224	\$409,819
Refinancing Benefit	\$133,012	\$136,012

Exhibit 4

With proposed improvements and required funding as indicated above, it is necessary to estimate total revenue requirements and determine the adequacy of current rates. Outlays for system operations and debt service requirements are obviously major revenue requirements. One element frequently overlooked by municipal systems however are cash outlays for renewal and replacement of facilities. A well maintained system generally requires the replacement of various components which are worn or obsolete. This, in essence, is the cash counter part to

depreciation which is normally recognized in a utility basis of determining revenue requirements.

Renewal and replacement (R&R) is separate and different from system development charges (SDC) in that R&R replaces existing components (maintains existing capacity) whereas SDC funds are for expansion (replaces capacity).

Another element of outlay which should be covered by the Shelbyville utility system is the transfer of utility funds to the City government. It is Shelbyville's current policy to require the Utility Commission to remit an amount specified by City government annually up to seven (7) percent of gross sales. There is justification of such transfers from the standpoint that the City owns the utilities and deserves a return on assets. This argument is easily supported in the instance of sales to customers outside the City including water/sanitation districts. Extending this return or levy to the City's own customers however may not be as easily supported. Fund transfers from municipal utilities to city governments, is a common practice in the State of Kentucky.

Although current bond ordinances allows the computation of coverage before transfer of funds, this report has taken the position that this procedure would deprive the utility system of revenues intended by the coverage factor.

A detailed presentation of revenue requirements is provided in Exhibit 4 and is summarized in the following table.

PROJECTED REVENUE REQUIREMENTS

	Water	-----Sewer System -----		Total
		City	San. Dist	
Operating Costs	\$745,136	\$465,236	\$116,725	\$1,327,097
Debt Service w/ 20% Cov.	\$755,905	\$444,459	111,058	\$1,311,422
Funds Transf. to City	\$95,012	\$52,731	\$0	\$147,743
Renewal and Replacement	<u>\$161,753</u>	<u>\$112,536</u>	<u>\$18,510</u>	<u>\$292,799</u>
Total Rev. Requirements	\$1,757,806	\$1,074,962	\$246,293	\$3,079,061
Current Revenues	<u>\$1,357,310</u>	<u>\$753,303</u>	<u>\$229,068</u>	<u>\$2,339,681</u>
Additional Needs	\$400,496	\$321,659	\$17,225	\$734,069
Percent Rate Increase	31%	45%	8.0%	
Additional Per 1,000	\$0.49	\$0.91	\$0.19	

Although current operations (Exhibit 1) showed a coverage level of 1.78x for the water system, the excess coverage only served to lessen the impact of projected revenue needs. Nearly all debt service associated with proposed improvements are the burden of the water system. Also, this report has added the elements of renewal/replacement (R&R) and transfer of funds to the City. The combined result indicates that the water system needs an additional \$400,496 annually.

It should be noted that renewal/replacement has been computed as depreciation expense for the current fiscal year less projected coverage (20%) of bond principal and interest. In our opinion this should eliminate the overlapping nature of coverage and R&R.

In the instance of sewer system revenue requirements, the addition of R&R and fund transfers, along with the shortfall in current operations, produced additional revenue requirements of \$321,659. The percentage rate adjustment needed, excluding the Sanitation District, is 45 or \$.91 per 100 CF. It should be noted that fund transfers were computed exclusive of revenues from the Sanitation District since there is currently no contractual basis for fund transfers from Sanitation District revenues.

Exhibits 5, 6 and 7

Fair and adequate rate development requires not only knowing how much revenue is needed but how those needs should be allocated to each customer. In an effort to provide Shelbyville with some indication of revenue needs (cost) at the customer level, an estimate has been provided in Exhibits 5 and 6 based on projected operations, with improvements in place. The method used in this breakdown is simplified from that recommend by the AWWA, but in our opinion, serves as a reasonable guideline. Information present in Exhibit 5 is based on a cash-needs basis and should fairly represent cash outlay requirements.

Based on our estimates in Exhibit 5, the cost to provide lines, meters, billing/collecting services, etc. are approximately \$5.39 per customer per month. The cost of water used is \$1.73 per 1000 Gallons.

For the Commission and City's convenience an estimate of revenue requirements (costs) using a "Utility Basis" has been provided in Exhibit 6. This cost breakdown may be used should the City desire to implement a rate to out-of-city customers and districts which provides a return on assets. It should be emphasized that the breakdown provided in this report is an estimate of projected revenue requirements, and would not be adequate for presentation before the Kentucky PSC. An adequate cost analysis for PSC purposes would require considerable extra effort and cost. It is our opinion however that such an analysis, which would incorporation demand factors, would show an increase (over our estimate) for service to customers outside the City and to Water Districts due to their heavy concentration of residential customers (high demand

customers).

Using a "Utility Basis" the cost to provide service is approximately \$7.28 per customer and \$1.86 per 1,000 gallons.

Since the "Utility Basis" incorporates a rate base and rate of return, this information has been presented in Exhibit 7.

Exhibit 8

Two simple procedures for adjusting water rates are 1) a percentage adjustment to all steps in the current schedule and 2) a cost per 1,000 gallons added to each rate level. The needed percentage or cost-per-1000 is provided by Exhibit 4. To assure that the adjusted rates will deliver necessary revenues, a billing analysis may be used to confirm the adequacy of rates.

Provided in Exhibit 8 are alternative rate structures developed as indicated above and further broken down into phase 1 and 2 implementations. This phased implementation is provided as informational should the Commission or City wish to proceed in this manner. Following is a summary table of current and proposed inside-city rates

PROPOSED INSIDE CITY RATES - KLC FIXED

Water Rates		Alternative 1		Alternative 2	
		Phase 1	Phase 2	Phase 1	Phase 2
Consumption Block	Current Rates	15.50% Increase	31.00 % Increase	Add \$.25/ 1,000 Gal.	Add \$.50/ 1,000 Gal.
First 1,000 Gal.	\$4.50	\$5.20	\$5.90	\$4.75	\$5.00
Next 9,000 Gal.	1.40	1.62	1.83	1.65	1.90
Next 15,000 Gal.	1.20	1.39	1.57	1.45	1.70
Over 25,000 Gal.	1.15	1.33	1.51	1.40	1.65
Computed Rev.	\$503,050	\$581,559	\$657,986	\$579,390	\$655,219
Increase - Amount		\$78,509	\$154,936	\$76,340	\$152,169

Proposed rates for outside-city customers and Finchville were developed in the same manner as above and are shown below for convenience.

OUTSIDE CITY RATES - KLC FIXED

Water Rates		Alternative 1		Alternative 2	
		Phase 1	Phase 2	Phase 1	Phase 2
Consumption Block	Current Rates	15.50% Increase	31.00 % Increase	Add \$.25/ 1,000 Gal.	Add \$.50/ 1,000 Gal.
First 1,000 Gal.	\$5.18	\$5.98	\$6.79	\$5.46	\$5.75
Next 9,000 Gal.	1.61	1.86	2.10	1.90	2.19
Next 15,000 Gal.	1.38	1.60	1.81	1.67	1.96
Over 25,000 Gal.	1.32	1.53	1.74	1.61	1.90
Computed Rev.	\$393,299	\$454,720	\$515,314	\$451,558	\$510,059
Increase - Amount		\$61,430	\$122,015	\$58,258	\$116,760

FINCHVILLE RATES - KLC FIXED

Water Rates		Alternative 1		Alternative 2	
		Phase 1	Phase 2	Phase 1	Phase 2
Consumption Block	Current Rates	15.50% Increase	31.00 % Increase	Add \$.25/ 1,000 Gal.	Add \$.50/ 1,000 Gal.
First 1,000 Gal.	\$6.92	\$7.99	\$9.07	\$7.17	\$7.42
Next 9,000 Gal.	2.15	2.48	2.82	2.40	2.65
Next 15,000 Gal.	1.72	1.99	2.26	1.97	2.22
Over 25,000 Gal.	1.51	1.74	1.98	1.76	2.01
Computed Rev.	\$162,075	\$187,196	\$212,318	\$177,853	\$193,525
Increase - Amount		\$25,122	\$50,243	\$15,725	\$31,450

It should be noted from the previous tables that Alternatives 1 & 2 for outside city customers and Finchville provide significantly different revenues. Since the outside-city rates and Finchville rates are at a premium to inside-city rates, a percentage increase provides more money (higher cost to the customer) than a straight cost-per-1000 rate increase.

Proposed rates for water districts present just the reverse. Since the price of water sold to water districts is based on the last step of the inside-city rate, a percentage increase generates less money than a straight cost-per-1000 gallons. This can be seen from the following table of alternative rates for water districts as based on the "Over 25,000 gallons per month category" for inside city rates.

WATER DISTRICT - KLC FIXED

Water Rates		Alternative 1		Alternative 2	
		Phase 1	Phase 2	Phase 1	Phase 2
Consumption Block	Current Rates	15.50% Increase	31.00 % Increase	Add \$.25/ 1,000 Gal.	Add \$.50/ 1,000 Gal.
Each 1,000 Gal.	\$1.15	\$1.33	\$1.51	\$1.40	\$1.65
Computed Rev.	\$281,955	\$326,087	\$370,219	\$343,248	\$404,544
Increase - Amount		\$44,132	\$88,264	\$61,295	\$122,589

Exhibit 9

As indicated in a previous section, the Shelbyville sewer system needs additional revenues totaling \$333,573. This incorporates a shortfall in current operations plus R&R and transfer of funds to the City government.

Before computing proposed sewer rates, it is necessary to allocate revenue requirements between general (City) customers and the Sanitation District. This is brought about by contractual obligations regarding costs which can and cannot be included in the price of receiving and treating Sanitation District wastewater. This report assumes that all operating costs may be allocated between the City and District, along with debt service requirements including coverage of principal and interest on long term debt. Since the contract for treatment of Sanitation District wastewater provides for a principal and interest coverage of 1.40x it is assumed that this level of coverage may be used in determining the price of treatment services even though current long term debt requires on a 1.20x coverage. This residual coverage (1.40 - 1.20) = 20% is shown separately in the line item for R&R under the Sanitation District column. The resulting amount (\$18,510) is approximately \$8,000 less than a full allocation of R&R which would have resulted if applied in a similar manner as it was to Shelbyville's general customers.

Fund transfers to the City government are not addressed by the City/District contract and therefore are assumed to be non includable.

A detailed allocation of sewer system costs between the City and Sanitation District is provided in Exhibit 9. As indicated in this exhibit, revenue requirements, excluding transfer of funds, are

allocated approximately 80% to the City and 20% to the Sanitation District. This corresponds roughly to the percentage of flows contributed by each.

Exhibit 10 & 11

The City's portion of sewer system revenue requirements (costs) can be further allocated between customer and treatment costs similar to the water system. This type of allocation was undertaken in this report and shown by Exhibit 10. Following is a summary of that allocation.

BREAKDOWN OF CUSTOMER/TREATMENT COSTS - CITY PORTION

	System Total	Treatment	Customer
Oper. - Direct	\$254,580	\$233,974	\$20,608
Oper. - Admin & Gen	199,241	181,369	17,872
Renewal and Repl.	112,536	102,442	10,094
Transfer of Funds	<u>52,731</u>	<u>48,001</u>	<u>4,730</u>
Total	\$619,088	\$565,786	\$53,304
Cost Per Unit		\$1.61 / 1,000 Gals.	\$1.66/ Cust./Mo.
Debt Service Costs	\$444,457	\$428,753	\$15,704
Cost Per Unit		\$1.22/1,000 Gals.	\$.49/Cust./Mo.

This information may be used to structure rates according to EPA and Kentucky DOW format for sewer system user charges. That structure typically will include an OM&R component and a debt service component. The OM&R rate generally consist of a minimum rate plus a flat rate per 1,000 gallons of metered water consumption after the minimum. The debt service rate(s) may follow any format which meets the City's purposes.

The EPA format also requires that users who contribute excessive strength wastewater be assessed a surcharge to offset treatment cost of such wastes. Typically such charges are computed by allocating costs between the pollutant parameters of BOD, Suspended Solids (SS) and Ammonia Nitrogen (NH(3)-N) and determining unit costs for each pollutant based on the assumption of maximum pollutant loading at domestic strength. This information is provided for Shelbyville in Exhibit 11.

Shelbyville has no outstanding EPA /SRF related funding, and therefore it has no obligation to follow the aforementioned format. The Shelbyville rate ordinance however does present sewer rates in this format along with surcharges for excessive strength wastes. Should future

wastewater improvements be funded by SRF funds, as administered by KIA, only certain review and management provisions would be needed to provide an approvable "User Charge Ordinance".

Exhibit 12

User charge rates sufficient to meet projected sewer system revenue requirements are provide by Exhibit 12. These rates are provided in EPA/SRF format and are phased for possible incremental implementation. Following is a summary of overall rates for phase 2.

CURRENT AND PROPOSED SEWER RATES

	INSIDE CITY		OUTSIDE CITY	
	Current	Proposed	Current	Proposed
First 1,000 gal. per mo.	\$5.76	\$6.67	\$6.63	\$7.67
Next 9,000 gal. per mo.	1.80	2.71	2.07	3.12
Next 15,000 gal. per mo.	1.65	2.56	1.90	2.94
Over 25,000 gal. per mo.	1.55	2.46	1.90	2.94

Summary

Although the analysis presented in this report indicates the need for substantial rate increases, they are necessary to meet revenue needs of the Shelbyville utilities system. In the instance of the water system, improvements totaling \$4,260,000 are proposed and require additional debt service. Also, renewal and replacement funds, along with potential fund transfers to the City government, have been considered in tallying the cash needs of this system. All of these elements are necessary for the financial health and proper operations and maintenance of the system. All of these elements are identified in the AWWA water rates manual M1.

With regard to the sewer system, it also must cover R&R and potential fund transfers. In addition however it is in need of covering a persistent operations deficit. Computed coverage from Exhibit-1 for current operations was .81x with a requirement for a 1.20x coverage of principal and interest.

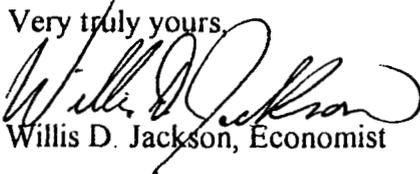
The Commission/City does have some choice with regard to how much money is allotted for R&R and for fund transfers. At a minimum however, revenues must be adequate to cover

operating costs and debt service, including coverage. It should also be noted that too little funding of R&R would eventually require borrowed funds to replace components worn out or obsolete.

When a system/plant is new and at its greatest excess capacity, for example the proposed Shelbyville water plant, it is at its highest cost per 1000 gallons, with inflation factored out. This is due not only to excess capacity but also for the increasing cost of new technology.

We are hopeful that this study meets the needs of the Shelbyville Water and Sewer Commission. If it appears that further study and computations are needed, please so advise.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Willis D. Jackson".

Willis D. Jackson, Economist

EXHIBIT 1

**CURRENT OPERATIONS
SHELBYVILLE WATER AND SEWER UTILITY COMMISSION
SHELBYVILLE, KENTUCKY
(TWELVE MONTHS ENDED 6/30/97)**

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
REVENUES:			
Metered Sales	\$1,293,369	\$893,233	\$2,186,602
Other Services	63,941	13,900	77,841
Pretreatment Program	<u> </u>	<u>20,810</u>	<u>20,810</u>
	1,357,310	927,943	2,285,253
EXPENSES:			
Direct Expenses	\$438,989	\$331,477	\$770,466
Administrative Exp. (Allocated)	<u>306,147</u>	<u>250,484</u>	<u>556,631</u>
	\$745,136	\$581,961	\$1,327,097
NET OPERATING INCOME	\$612,174	\$345,982	\$958,156
NON OPERATING INCOME:			
Interest Income (Allocated)	\$54,585	\$76,126	\$130,711
Other Revenues (Allocated)	<u>7,659</u>	<u>7,659</u>	<u>11,076</u>
Total	\$62,244	\$83,785	\$141,787
NET INCOME (Excluding Depreciation Exp.)	\$674,418	\$429,767	\$1,099,943
DEBT SERVICE: (Allocated)			
1991 KLC Bonds	\$310,722	\$426,110	\$736,832
1996 KLC Loan	<u>68,885</u>	<u>103,327</u>	<u>172,212</u>
	\$379,607	\$529,437	\$909,044
COVERAGE	1.78X	0.81X	1.21X
TRANSFER TO GENERAL FUND	\$107,367	\$73,403	\$180,770
REVENUES AFTER TRANSFERS	\$187,444	(\$173,073)	\$10,129

EXHIBIT 2

**ALLOCATION OF LONG TERM DEBT
SHELBYVILLE WATER AND SEWER COMMISSION
SHELBYVILLE, KENTUCKY**

1. Refinancing KLC Bonds of 1991 - Outstanding Issue
Maximum Annual Principal and Int. - 2011 = **\$736,832**

Year Percent	----- Water -----			----- Sewer -----			Combined Total
	Plant & Tanks	Distribution Lines	Total Water	Plant	Collection Lines	Total Sewer	
	41.51%	0.66%	42.17%	55.61%	2.22%	57.83%	100.00%
Debt Serv.	\$305,859	\$4,863	\$310,722	\$409,752	\$16,358	\$426,110	\$736,832

2. KLC Loan of 1996 - Outstanding Issue

Maximum Annual Principal and Int. - FY 1999 = **\$172,212**

Percent	----- Water -----			----- Sewer -----			Combined Total
	Plant & Tanks	Distribution Lines	Total Water	Plant	Collection Lines	Total Sewer	
	16.00%	24.00%	40.00%	60.00%	0.00%	60.00%	
Amount	\$27,554	\$41,331	\$68,885	\$103,327	\$0	\$103,327	\$172,212

3. Totals for 1991 and 1996 KLC Loans:

Total %	36.68%	5.08%	41.76%	56.44%	1.80%	58.24%	100.00%
Total Amts.	\$333,413	\$46,194	\$379,607	\$513,079	\$16,358	\$529,437	\$909,044

4. Proposed Financing - 1998 - KLC Fixed
Average Annual Principal & Int. = **\$356,020**

Allocation of Revenue Bonds/ Debt Service:

	----- Water -----			----- Sewer -----			Combined Total
	Plant & Tanks	Distribution Lines	Total Water	Plant	Collection Lines	Total Sewer	
Refinance 96 KLC Ln.	16.00%	24.00%	40.00%	60.00%	0.00%	60.00%	100.00%
	\$9,819	\$14,729	\$24,548	\$36,821	\$0	\$36,821	\$61,369
Improvemnt Portion	85.92%	14.08%	100.00%	0.00%	0.00%	0.00%	100.00%
	\$253,151	\$41,500	\$294,651	\$0	\$0	\$0	\$294,651
Debt Serv.	\$262,970	\$56,229	\$319,199	\$36,821	\$0	\$36,821	\$356,020

5. Potential Refinancing - 1991 KLC Bonds Balance @ 6/30/98 = \$6,240,000
Terms - (5% KLC Fixed - 20 Yrs.)

Allocation of Revenue Bonds/ Debt Service: Average Annual P&I = **\$500,714**

	----- Water -----			----- Sewer -----			Combined Total
	Plant & Tanks	Distribution Lines	Total Water	Plant	Collection Lines	Total Sewer	
Refinance 91 KLC Bds	41.51%	0.66%	42.17%	55.61%	2.22%	57.83%	100.00%
	\$207,846	\$3,305	\$211,151	\$278,447	\$11,116	\$289,563	\$500,714

EXHIBIT 3

PROPOSED FINANCING ACTIVITIES
SHELBYVILLE WATER AND SEWER COMMISSION
SHELBYVILLE, KENTUCKY

Funds Needed:

Proposed Water Facilities - Cost Estimate

Contract 38 - Water Distribution Main	\$600,000
Contract 39 - Water Plant Expansion	3,100,000
Contract 41 - Elevated Storage Tank & Wastewater	<u>560,000</u>
Subtotal - Project Cost	\$4,260,000

Refinancing 1996 KLC Loan - Balance after 5/01/98 \$749,800

Total Funds Needed \$5,009,800

Source of Funds:

System Development Charge Funds	\$660,000
Loans/Revenue Bonds	<u>4,349,800</u>
Total Project Cost	\$5,009,800

	20 Year KLC Fixed	20 Year KLC Variable
Project Cost	\$4,349,800	\$4,349,800
Plus Discount	0.00%	0.00%
Issuance Costs	2.00%	1.25%
Total Loan/Revenue Bonds	\$4,436,796	\$4,404,173

Debt Service:

Principal		
Interest Rate/ Yr.	5.00%	4.60%
Amortization Period - Yrs.	20	20
Payment/Yr. - Principal and Interest	\$356,020	\$341,516
Coverage/Reserves %	20.00%	20.00%
Amount	<u>\$71,204</u>	<u>\$68,303</u>
Total Debt Service Requirement	\$427,224	\$409,819

Note:

Estimated Debt Service Reduction from Refinancing 1996 KLC Loan (Prin, Int. & 20% Coverage)	\$133,012	\$136,012
--	-----------	-----------

EXHIBIT 4

PROJECTED REVENUE REQUIREMENTS
SHELBYVILLE WATER AND SEWER COMMISSION
SHELBYVILLE, KENTUCKY

	Water System	--- Sewer System --- City San. Dist.	Total	
Operating Costs:				
Current Operations	\$745,136	\$465,236	\$116,725	\$1,327,097
Additional Costs From Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Costs	\$745,136	\$465,236	\$116,725	\$1,327,097
Debt Service:				
P&I - Rev. Bonds - 1991	\$310,722	\$340,923	\$85,187	\$736,832
P&I - Proposed KLC Fixed (Includes 1996 Ln)	319,199	29,460	7,361	356,020
Coverage @ 20%	<u>125,984</u>	<u>74,076</u>	<u>18,510</u>	<u>218,570</u>
Total	\$755,905	\$444,459	\$111,058	\$1,311,422
Fund Transfers to City (Exclud. Sant. Dist) *	\$95,012	\$52,731	\$0	\$147,743
Renewal and Replacement Funds	<u>\$161,753</u>	<u>\$112,536</u>	<u>\$18,510</u>	<u>\$292,799</u>
Total Revenue Requirements	\$1,757,806	\$1,074,962	\$246,293	\$3,079,061
Operating Revenues:				
Metered Sales - FY Ended 6/30/97	\$1,293,369	\$718,593	\$174,640	\$2,186,602
Sanitation District Rate Adj. - 9/97	0	0	54,428	54,428
Other Operating Revenues	63,941	13,900	0	77,841
Pretreatment Program	<u>0</u>	<u>20,810</u>	<u>0</u>	<u>20,810</u>
Total Operating Rev.	\$1,357,310	\$753,303	\$229,068	\$2,339,681
Additional Revenues Needed	\$400,496	\$321,659	\$17,225	\$739,380
Percent Rate Increase	31.00%	45.00%	8.00%	
Additional Revenue Needs Per 1,000 Gals	\$0.49	\$0.91	\$0.19	

Notes:

* Estimated transfer of funds to City computed @ 7% of operating revenues less estimated sales to Sanitation District, excluded because rate formula does not allow for inclusion of such costs. Water district rates are based on City rates.

EXHIBIT 5

BREAKDOWN OF COSTS - CASH BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY

--- Year Ended 6/30/97 ---

<u>Operating Costs:</u>	Treatment Pumping	Customer Costs	Total
Gen. supervision and engineering	\$4,468	\$2,979	\$7,447
Supply and Pumping	71,246		71,246
Laboratory exp.	19,798		19,798
Supplies - water plt	91,653		91,653
Labor - water struct.	18,720		18,720
Maint. Matts - water struct.	1,574		1,574
Labor - equip.	8,062		8,062
Maint. Matts - equip.	32,735		32,735
Power - water plant	67,884		67,884
Labor - dist. main	10,978	10,977	21,955
Maint. matts - dist mains	3,292	3,291	6,583
Labor - services & meters		27,290	27,290
Maint. Matts - serv. & meters		6,737	6,737
Labor - hydrants	2,236	2,236	4,472
Maint. Matts - hydrants	1,442	1,442	2,884
Meter reading		34,614	34,614
Holiday, vac. sick leave	8,191	5,461	13,652
Landfill - sludge	1,683		1,683
Total	\$343,962	\$95,027	\$438,989
Administrative & General Expenses:			
Portion allocated to Water System (55.0%)	\$198,996	\$107,151	\$306,147
Debt Service:			
Maximum Annual P&I - 1991 Rev. Bonds	\$305,859	\$4,863	\$310,722
Proposed KLC Loan	262,970	56,229	319,199
Coverage @ 20 %	113,766	12,218	125,984
	\$682,595	\$73,310	\$755,905
Fund Transfers to City	\$77,574	\$17,438	\$95,012
Renewal and Replacement Funds	\$105,139	\$56,614	\$161,753
Total Annual Revenue Requirements	\$1,408,266	\$349,540	\$1,757,806
Annual Metered Wtr. Cons.	814,493		
Total Number of Customers		5,406	
Cost Per 1000 Gallons	\$1.73		
Average "Customer Cost" Per Mo.		\$5.39	

EXHIBIT 6

**BREAKDOWN OF COSTS - UTILITY BASIS
SHELBYVILLE WATER SYSTEM
SHELBYVILLE, KENTUCKY**

--- Year Ended 6/30/97 ---

<u>Operating Costs:</u>	Treatment Pumping	Customer Costs	Total
Gen. supervision and engineering	\$4,468	\$2,979	\$7,447
Supply and Pumping	71,246		71,246
Laboratory exp.	19,798		19,798
Supplies - water plt	91,653		91,653
Labor - water struct.	18,720		18,720
Maint. Matls - water struct.	1,574		1,574
Labor - equip.	8,062		8,062
Maint. Matls - equip.	32,735		32,735
Power - water plant	67,884		67,884
Labor - dist. main	10,978	10,977	21,955
Maint. matls - dist mains	3,292	3,291	6,583
Labor - services & meters		27,290	27,290
Maint. Matls - serv. & meters		6,737	6,737
Labor - hydrants	2,236	2,236	4,472
Maint. Matls - hydrants	1,442	1,442	2,884
Meter reading		34,614	34,614
Holiday, vac. sick leave	8,191	5,461	13,652
Landfill - sludge	<u>1,683</u>	<u> </u>	<u>1,683</u>
	\$343,962	\$95,027	\$438,989
 Administrative & General Expenses:			
Portion allocated to Water System (55.0%)	\$198,996	\$107,151	\$306,147
Transfer of Funds to City	\$77,574	\$17,438	\$95,012
Depreciation Expense	\$228,280	\$64,459	\$292,739
Return on Rate Base *	<u>\$669,273</u>	<u>\$188,211</u>	<u>\$857,484</u>
Total Annual Revenue Requirements	\$1,518,085	\$472,286	\$1,990,371
Annual Metered Wtr. Cons.	814,493		
Total Number of Customers		5,406	
Cost Per 1000 Gallons	\$1.86		
Average "Customer Cost" Per Mo.		\$7.28	

Notes:

* Return on rate base incorporates transfer of funds to City. - ie subtracted out.

EXHIBIT 7

RATE BASE AND RATE OF RETURN
SHELBYVILLE WATER SYSTEM
SHELBYVILLE KENTUCKY

	Treatment Pumping	Customer Costs	Values At 6/30/97
Water Plant :			
Source of supply land	\$0		
Power and pumping land	0		
Water rights	0		
Source of supply struct.	2,010,463		2,010,463
Pumping structures	225,708		225,708
Standpipes	1,046,997		1,046,997
Dam and line	41,357		41,357
Office Building	109,965	109,965	219,930
Shop building	8,000	8,000	16,000
Miscellaneous structures	10,365	10,365	20,729
Electric pumping equip	1,293,777		1,293,777
Purification equip.	1,644,755		1,644,755
Water distrib. mains	1,820,013	\$1,820,013	3,640,025
Services and meters	0	931,055	931,055
Hydrants	81,315	81,315	162,630
Offic fixtures & equip.	32,894	32,894	65,789
Transportation Equip	62,245	62,245	124,491
Shop equip.	76,032	76,032	152,064
Construction in progress	206,029	0	206,029
	\$8,669,914	\$3,131,883	\$11,801,798
Proposed Improvements	\$3,660,000	\$600,000	\$4,260,000
Add:			
Cash Working Capital	90,493	33,696	124,189
Less Accumulated Depreciation:	3,084,822	1,194,967	4,279,792
Total Rate Base	\$9,335,585	\$2,570,613	\$11,906,195
Rate of Return on Rate Base	8.00%	8.00%	8.00%
Amount Generated by Rate of Return	\$746,847	\$205,649	\$952,496

EXHIBIT 8

**ALTERNATIVE RATE SCENARIOS
MUNICIPAL WATER SYSTEM
SHELBYVILLE, KENTUCKY**

WATER RATES

Inside City:			Current Rates	Alternative 1		Alternative 2	
				Phase 1 15.50% Incr.	Phase 2 31.00% Incr.	Phase 1 Add \$0.25	Phase 1 Add \$0.50
Rate Bracket							
First	1000 gal. per mo.	Minimum	\$4.50	\$5.20	\$5.90	\$4.75	\$5.00
Next	9000 gal. per mo.		1.40	1.62	1.83	1.65	1.90
Next	15000 gal. per mo.		1.20	1.39	1.57	1.45	1.70
Over	25000 gal. per mo.		1.15	1.33	1.51	1.40	1.65
Computed Revenues			\$503,050	\$581,559	\$657,986	\$579,390	\$655,219
Increase - Amount				\$78,509	\$154,936	76,340	\$152,169
Percentage Increase				15.61%	30.80%	15.18%	30.25%

Outside City:			Current Rates	Alternative 1		Alternative 2	
				15% Surcharge	15% Surcharge	15% Surcharge	15% Surcharge
Rate Bracket							
First	1000 gal. per mo.	Minimum	\$5.18	\$5.98	\$6.79	\$5.46	\$5.75
Next	9000 gal. per mo.		1.61	1.86	2.10	1.90	2.19
Next	15000 gal. per mo.		1.38	1.60	1.81	1.67	1.96
Over	25000 gal. per mo.		1.32	1.53	1.74	1.61	1.90
Computed Revenues			\$393,299	\$454,720	\$515,314	\$451,558	\$510,059
Increase - Amount				61,430	\$122,015	58,258.637	\$116,760
Percentage Increase				15.62%	31.02%	14.81%	29.69%

Finchville:

Rate Bracket			Current Rates	Alternative 1		Alternative 2	
				Phase 1 15.50% Incr.	Phase 2 31.00% Incr.	Phase 1 Add \$0.25	Phase 2 Add \$0.50
First	1000 gal. per mo.	Minimum	\$6.92	\$7.99	\$9.07	\$7.17	\$7.42
Next	9000 gal. per mo.		2.15	2.48	2.82	2.40	2.65
Next	15000 gal. per mo.		1.72	1.99	2.25	1.97	2.22
Over	25000 gal. per mo.		1.51	1.74	1.98	1.76	2.01
Computed Revenues			\$162,075	\$187,196	\$212,318	\$177,853	\$193,525
Increase - Amount				25,122	\$50,243	15,725	\$31,450
Percentage Increase				15.50%	31.00%	9.70%	19.40%

Water Districts With Inside City Rates:	\$1.15	\$1.33	\$1.51	\$1.40	\$1.65
Computed Revenues	\$281,955	\$326,087	\$370,219	\$343,249	\$404,544
Increase - Amount		44,132	88,264	61,295	122,589
Percentage Increase		15.65%	31.30%	21.74%	43.48%

Billing Analysis Error (\$47,201) (\$56,625) (\$64,154) (\$54,655) (\$62,089)

Total Revenues	\$1,293,178	\$1,492,938	\$1,691,683	\$1,497,395	\$1,701,258
Total Increase for System - Amount		\$199,760	\$398,506	\$204,217	\$408,080
PERCENTAGE INCREASE FOR SYSTEM		15.45%	30.82%	15.79%	31.56%

EXHIBIT 9

ALLOCATION OF SEWER SYSTEM COSTS - CITY/SANITATION DIST.
SHELBYVILLE SEWER SYSTEM
SHELBYVILLE, KENTUCKY

(Year Ended 6/30/97)

Operating Costs:	System Total	--- City --- %	Amount	-- Sanitation District -- %	Amount
Plant:					
Sewer plant labor	\$62,001				
Supplies - sewer plant	14,692				
Maint. matls. - sewer plt equip.	30,129				
Labor - sewer plt. equip.	6,428				
Labor - sewer structure	4,823				
Maint. matls. - sewer structure	2,326				
Power - sewer plt.	47,899				
Gen. lab exp.	6,134				
Chronic tox. test	5,433				
Labor - sludge disposal	8,939				
Landfill - sludge removal	24,714				
Holiday, vac. sick leave (allocated)	15,968				
Gen engineering	5,670				
	\$235,156	80.01%	\$188,143	19.99%	\$47,013
Pump Stations:					
Labor - comm pump sta	8,141	100.00%	8,141	0.00%	0
Maint. Matls - comm pump sta	6,942	100.00%	6,942	0.00%	0
Power - joint pump sta.	14,173	62.68%	8,884	37.32%	5,289
Labor - joint pump sta	10,009	62.68%	6,274	37.32%	3,735
Maint. matls - joint pump sta	13,595	62.68%	8,521	37.32%	5,074
Holiday, vac. sick leave (allocated)	3,526	79.41%	2,800	20.59%	726
	\$56,386	73.71%	\$41,562	26.29%	\$14,824
Collection System:					
Labor - Coll. mains.	10,934	97.00%	10606	3.00%	328
Maint. matls - sewer mains	9,069	97.00%	8797	3.00%	272
Labor - sewer manholes	468	97.00%	454	3.00%	14
Maint. matls - sewer manholes	2,958	97.00%	2869	3.00%	89
Holiday, vac. sick leave (allocated)	2,215	97.00%	2149	3.00%	66
Labor - flow monitors	1,292	0.00%	0	100.00%	1292
Mat'ls - flow monitors	1,578	0.00%	0	100.00%	1578
	\$28,514		\$24,875		\$3,639
Total Direct Expenses	\$320,056		\$254,580		65,476
Administrative & General Expenses:	\$250,484	79.54%	\$199,241	20.46%	\$51,249
Total Operating Expenses	\$570,540	79.54%	\$453,821	20.46%	\$116,725
Renewal and Replacement	\$131,046		\$112,536		\$18,510
Total OM&R	\$701,586		\$566,357		\$135,235
Estimated Flows (1,000 Gals.)			351,808		93,085
Cost Per 1,000 Gals. (Metered Water Cons.)			\$1.61		\$1.45
Debt Service:					
Maximum Annual P&I (Plant Portion)	\$426,110	80.01%	\$340,923	19.99%	\$85,187
Solids Processing - 1996 (Assume Refinance)	\$36,821	80.01%	29,460	19.99%	7,361
Coverage @ 20 %	92586	80.01%	74,076	19.99%	18,510
Total Debt Service	\$555,517	80.01%	\$444,459	19.99%	\$111,058
Cost Per 1000 Gallons (Debt Serv.)			\$1.26		\$1.19
O&M and Debt Serv. - Cost Per 1000 Gals.			\$2.87		\$2.64

Note: Pretreatment expenses (\$11,420) were excluded since these costs are recovered from industries requiring wastewater pretreatment.

EXHIBIT 10

BREAKDOWN OF CUSTOMER/TREATMENT COSTS - CASH BASIS
SHELBYVILLE SEWER SYSTEM
SHELBYVILLE, KENTUCKY

(Year Ended 6/30/97 -- Excluding Sanitation District Costs)

Operating Costs:	<u>System Total</u>	<u>Treatment Pumping</u>	<u>Customer Costs</u>
Plant:			
Sewer plant labor	\$49,606		
Supplies - sewer plant	11,755		
Maint. matls. - sewer plt equip.	24,106		
Labor - sewer plt. equip.	5,143		
Labor - sewer structure	3,859		
Maint. matls. - sewer structure	1,861		
Power - sewer plt.	38,323		
Gen. lab exp.	4,908		
Chronic tox. test	4,347		
Labor - sludge disposal	7,152		
Landfill - sludge removal	19,773		
Holiday, vac. sick leave (allocated)	12,776		
Gen engineering	<u>4,536</u>		
Percent		100.00%	0.00%
Subtotal (EXHIBIT 9)	\$188,143	\$188,143	\$0
Pump Stations:			
Labor - comm pump sta	\$8,141	75.00%	25.00%
Maint. Matls - comm pump sta	6,942	75.00%	25.00%
Power - joint pump sta.	8,884	100.00%	0.00%
Labor - joint pump sta	6,274	75.00%	25.00%
Maint. matls - joint pump sta	8,521	75.00%	25.00%
Holiday, vac. sick leave (allocated)	<u>2,800</u>	75.00%	25.00%
Subtotal (EXHIBIT 9)	\$41,562	\$33,393	\$8,170
Collection System:			
Labor - Coll. mains.	\$10,606		
Maint. matls - sewer mains	8,797		
Labor - sewer manholes	454		
Maint. matls - sewer manholes	2,869		
Holiday, vac. sick leave (allocated)	<u>2,149</u>		
Percent		50.00%	50.00%
Subtotal (EXHIBIT 9)	\$24,875	\$12,438	\$12,438
Total Direct Expenses	254,580	233,974	20,608

BREAKDOWN OF CUSTOMER AND TREATMENT COSTS - CASH BASIS

Admin. & General Expenses:	(EXHIBIT 9)	199,241	91.03%	8.97%
			\$181,369	\$17,872
Renewal and Repl. Costs	(EXHIBIT 9)	112,536	91.03%	8.97%
			\$102,442	\$10,094
Transfer of Fund to City	(EXHIBIT 9)	<u>52,731</u>	91.03%	8.97%
			<u>\$48,001</u>	<u>\$4,730</u>
Total Revenue Needs - Before Debt Serv.		\$619,088	\$565,786	\$53,304
Estimated Flows (1,000 Gals.)			351,808	
Estimated Number of Customers				2,669
Cost Per 1,000 Gals. (Metered Water Cons.)			\$1.61	
Cost Per Customer Per Month				\$1.66
Debt Service:				
Maximum Annual P&I(Plant Portion)		\$340,921	\$327,834	\$13,087
Solids Processing - 1996 (Assume Refinance)		\$29,460	29,460	\$0
Coverage @ 20 %		<u>74,076</u>	<u>71,459</u>	<u>2,617</u>
Total Debt Service	(EXHIBIT 9)	\$444,457	\$428,753	\$15,704
Cost Per 1000 Gallons (Debt Serv.)			\$1.22	
Cost Per Customer Per Month				\$0.49

EXHIBIT 11

SURCHARGE RATES FOR EXCESSIVE STRENGTH WASTEWATER
SHELBYVILLE SEWER SYSTEM
SHELBYVILLE, KENTUCKY

a) Allocation of OM&R Costs (Direct /Adim./ Renewal & Replmnt.)

<u>Parameter</u>	<u>Percentage</u>	<u>Amount</u>
Flows	40.0%	\$207,114
BOD	25.0%	129,446
SS	25.0%	129,446
NH(3)-N	10.0%	51,779
	100.0%	\$517,785
Customer Costs		38,480
Total O&M		\$556,265

b) Estimated Annual Pollutant Loading at Domestic Strength

<u>Pollutant</u>	<u>Domestic Level</u>	<u>Estimated Loading</u>
BOD	250mg/l	733,520 lbs.
SS	250mg/l	733,520 lbs.
NH(3)-N	25mg/l	73,352 lbs.

c) Computed Surcharge Rate/Cost Per Pound

BOD	(\$129446 / 733520 lbs.) =	\$0.18
SS	(\$129446 / 733520 lbs.) =	\$0.18
NH(3)-N	(\$51779 / 73352 lbs.) =	\$0.71

EXHIBIT 12

PROPOSED USER CHARGE RATES
WASTEWATER TREATMENT SYSTEM
SHELBYVILLE, KENTUCKY

Inside City Rates**Current Rates:**

<u>Rate Bracket</u>		<u>OM&R Rate</u>	<u>Debt Serv. Rate</u>	<u>Combined</u>
First	1000 gal. per mo. Minimum	\$3.21	\$2.55	\$5.76
Next	9000 gal. per mo.	1.07	1.73	1.80
Next	15000 gal. per mo.	1.07	0.58	1.65
Over	25000 gal. per mo.	1.07	1.48	1.55

Phase 1 - 22.50% Overall Rate Increase - Inside City:

<u>Rate Bracket</u>		<u>OM&R Rate</u>	<u>Debt Serv. Rate</u>	<u>Combined</u>	<u>Percent Increase</u>
First	1000 gal. per mo. Minimum	\$3.24	\$2.98	\$6.22	7.99%
Next	9000 gal. per mo.	1.34	0.92	2.26	25.56%
Next	15000 gal. per mo.	1.34	0.77	2.11	27.88%
Over	25000 gal. per mo.	1.34	0.67	2.01	29.68%

Phase 2 - 45.00% Overall Rate Increase - Inside City:

<u>Rate Bracket</u>		<u>OM&R Rate</u>	<u>Debt Serv. Rate</u>	<u>Combined</u>	<u>Percent Increase</u>
First	1000 gal. per mo. (1)	\$3.27	(3) \$3.40	(4) \$6.67	15.80%
Next	9000 gal. per mo. (2)	1.61	1.10	2.71	50.56%
Next	15000 gal. per mo.	1.61	0.95	2.56	55.15%
Over	25000 gal. per mo.	1.61	0.85	2.46	58.71%

Notes:

1. OM&R rate based on treatment cost for 1,000 gallons (\$1.61) plus customer cost (\$1.66).
2. OM&R rate for subsequent levels is based on treatment cost for each 1,000 gallons (\$1.61).
3. Debt service rate computed as difference between combined rate and OM&R rate.
4. Combined rate based on current rates plus additional revenue requirements of \$.91/ 1,000 (Exhibit 4.)

**EXHIBIT 12 - CONTINUED
PROPOSED USER CHARGE RATES**

Outside City Rates

Current Rates:

<u>Rate Bracket</u>		<u>OM&R Rate</u>	<u>Debt Serv. Rate</u>	<u>Combined</u>
First	1000 gal. per mo. Minimum	\$3.70	\$2.93	\$6.63
Next	9000 gal. per mo.	1.07	1.00	2.07
Over	10000 gal. per mo.	1.07	0.83	1.90

Phase 1 - 22.50% Overall Rate Increase - Out side City:

<u>Rate Bracket</u>		<u>OM&R Rate</u>	<u>Debt Serv. Rate</u>	<u>Combined</u>	<u>Percent Increase</u>
First	1000 gal. per mo. Minimum	\$3.73	\$3.42	\$7.15	7.84%
Next	9000 gal. per mo.	1.34	1.26	2.60	25.60%
Over	10000 gal. per mo.	1.34	1.08	2.42	27.37%

Phase 1 - 45.00% Overall Rate Increase - Out side City:

<u>Rate Bracket</u>		<u>OM&R Rate</u>	<u>Debt Serv. Rate</u>	<u>Combined</u>	<u>Percent Increase</u>
First	1000 gal. per mo. Minimum	\$3.76	\$3.91	\$7.67 (5)	15.69%
Next	9000 gal. per mo.	1.61	1.51	3.12	50.72%
Over	10000 gal. per mo.	1.61	1.33	2.94	54.74%

Notes:

5. Combined rate computed as 15% surcharge over inside city rates.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 11, 1999

To: All parties of record

RE: Case No. 99-031

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY 40067

The City of Shelbyville
315 Washington Street
Shelbyville, KY 40065

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY 40066

Honorable Donald T. Prather
Attorney for West Shelby Water
P. O. Box 1059
Shelbyville, KY 40066

Honorable Frank F. Chuppe
Counsel for City of Shelbyville
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, KY 40202 2898

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WEST SHELBY WATER DISTRICT)
)
) COMPLAINANT)
)
) vs.) CASE NO. 99-031)
)
) THE CITY OF SHELBYVILLE, KENTUCKY, A)
) MUNICIPAL CORPORATION; AND, THE)
) SHELBYVILLE MUNICIPAL WATER AND SEWER)
) DISTRICTS)
)
) DEFENDANTS)

O R D E R

The Commission, having reviewed the record and being advised by Commission Staff that certain information will assist Commission Staff and being otherwise sufficiently advised, HEREBY ORDERS that within 10 days from the date of this Order each party shall file with the Commission 7 copies of any cost-of-service and rates study performed and conducted on behalf of the party in the proceeding 5 years from the date of this Order with a copy to all parties.

Done at Frankfort, Kentucky, this 11th day of June, 1999.

By the Commission

ATTEST:


Executive Director

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2888

502 589-5235

FAX: 502 589-0309

RECEIVED

JUN 10 1999

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

PUBLIC SERVICE
COMMISSION

25 MUSIC SQUARE EAST
SHELBYVILLE, TN 37203-4322
615 255-6161

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

June 9, 1999

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

RE: Case No. 99-031

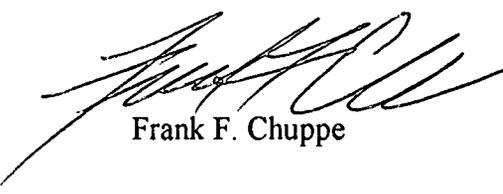
Stephanie
Dear Ms. Bell:

Enclosed please the Defendant's Motion to Modify Scheduling Order in the above case. In addition, please find a Notice of Intent we are filing on behalf of the Shelbyville Municipal Water and Sewer Commission. Technically, this Notice is not part of the above-referenced case, although it is related to it. Therefore, I wasn't sure whether we should assign the same case number as the above-referenced case.

Thank you for your attention to this matter and please don't hesitate to contact me if there are any questions.

Very truly yours,

WYATT, TARRANT & COMBS


Frank F. Chuppe

FFC/kdg
Enclosures
E:\FFCBELL.LTR.wpd

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 10 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

An Application of the Shelbyville Municipal Water and Sewer
Commission for a Rate Adjustment to West Shelby Water District

NOTICE OF INTENT

The Shelbyville Municipal Water and Sewer Commission hereby notifies the Commonwealth of Kentucky Attorney General, Intervention and Rate Division, P.O. Box 2000, Frankfort, KY 40602-2000, of its intent to apply to the Public Service Commission for an increase in its rate for the sale of water to the West Shelby Water District. The rate application will be supported by an historical test period.

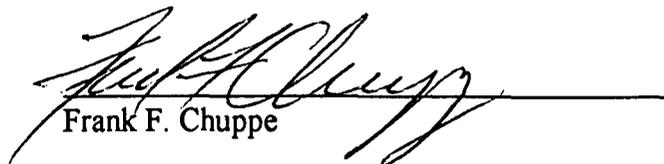
Respectfully submitted,



Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336
Counsel for Shelbyville Municipal Water and Sewer
Commission

CERTIFICATE OF SERVICE

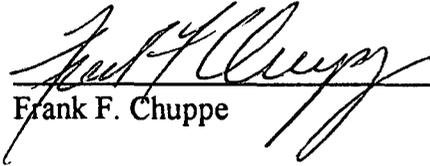
I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 9th day of June, 1999, upon Donald T. Prather, Esq., Mathis, Riggs & Prather, 500 Main Street, P.O. Box 1059, Shelbyville, KY 40066-1059; Attorney General A. B. Chandler, III, Office of Attorney General, Capitol Building, Suite 118, Frankfort, KY 40601; Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Frankfort, KY 40601.



Frank F. Chuppe

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 9th day of June, 1999, upon Donald T. Prather, P.O. Box 1059, Shelbyville, Kentucky 40066.



Frank F. Chuppe

E:\FFC\WESTSHELBY.MTM.wpd



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 4, 1999

To: All parties of record

RE: Case No. 99-031

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY 40067

The City of Shelbyville
315 Washington Street
Shelbyville, KY 40065

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY 40066

Honorable Donald T. Prather
Attorney for West Shelby Water
P. O. Box 1059
Shelbyville, KY 40066

Honorable Frank F. Chuppe
Counsel for City of Shelbyville
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, KY 40202 2898

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WEST SHELBY WATER DISTRICT)	
)	
COMPLAINANT)	
)	
vs.)	CASE NO. 99-031
)	
THE CITY OF SHELBYVILLE, KENTUCKY, A)	
MUNICIPAL CORPORATION; AND, THE)	
SHELBYVILLE MUNICIPAL WATER AND SEWER)	
DISTRICTS)	
)	
DEFENDANTS)	

O R D E R

Upon motion of Complainant, by counsel, for a 30 day extension for each step in the Commission's procedural Order entered May 10, 1999; after actual notice to counsel for Defendants and without objection by Defendants; after review by Commission Staff; and, finding that the May 10, 1999 Order should be amended to grant the motion, the Commission HEREBY ORDERS that:

1. An informal conference shall be conducted on September 30, 1999 at 9:00 a.m., Eastern Daylight Time, in Hearing Room 2 of the Commission's offices at 677 Comanche Trail, Frankfort, Kentucky and continue until adjourned. The purpose of the conference shall be to consider any matter which would expedite the handling or disposition of this proceeding, including but not limited to, settlement, simplification of issues and the contents of the record.

2. A formal hearing in this matter shall be held on October 8, 1999 at 9:00, Eastern Daylight Time, in Hearing Room 2 of the Commission's offices at 677 Comanche Trail, Frankfort, Kentucky.

3. Each party may, on or before June 21, 1999, serve upon any other party a request for production of documents and written interrogatories to be answered by the party served within 15 days of service.

4. Each party may, on or before July 15, 1999, serve upon any other party a supplemental request for production of documents and supplemental written interrogatories to be answered by the party served within 10 days of service.

5. Each party may, on or before August 13, 1999, take the testimony of any person by deposition upon oral examination pursuant to notice or by agreement.

6. On or before September 2, 1999, each party shall file with the Commission in verified form the direct testimony of each witness that it expects to call at the formal hearing.

7. On or before September 15, 1999, each party shall file with the Commission in verified form the testimony of each rebuttal witness that it expects to call at the formal hearing.

8. Nothing contained herein shall preclude the Commission from ordering, on its own motion, either party to respond to the Commission's interrogatories or to produce documents or other materials.

9. Any party may within 14 days of the filing of the hearing transcript with the Commission submit an initial written brief. Reply briefs may be submitted no later than

7 days after the filing of initial briefs. Initial briefs shall not exceed 25 pages in length. Reply briefs shall not exceed 10 pages in length.

10. Copies of all documents served upon any party shall be served on all other parties and filed with the Commission.

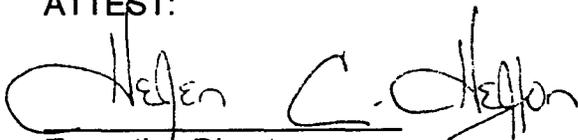
11. As the Complainant bears the burden of proof in this matter, its failure to appear at the formal hearing and present proof in support of its complaint may result in the dismissal of its complaint with prejudice.

12. The failure of Defendant to appear at the formal hearing may result in the entry of an Order granting the Complainant's requested relief.

Done at Frankfort, Kentucky, this 4th day of June, 1999.

By the Commission.

ATTEST:


Executive Director

RECEIVED

MAY 21 1999

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW
500 MAIN STREET · P.O. BOX 1059
SHELBYVILLE, KENTUCKY 40066-1059

PUBLIC SERVICE
COMMISSION
HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

May 19, 1999

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

Re: West Shelby Water District vs City of Shelbyville,
Kentucky and The Shelbyville Municipal Water and Sewer
Commission
Case No. 99-031

Dear Ms. Helton:

We enclose the original and thirteen copies of West Shelby
Water District's Motion for Extension of Time for filing in the
above matter.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: 

Donald T. Prather

DTP/kr
Enclosures
cc: West Shelby Water District
Warner A. Broughman, III
2WTR\WS\PSC\PSC.LTR

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

MAY 21 1999

PUBLIC SERVICE COMMISSION

In The Matter Of:

WEST SHELBY WATER DISTRICT)

COMPLAINANT)

vs)

CASE NO. 99-031)

THE CITY OF SHELBYVILLE, KENTUCKY,)
A MUNICIPAL CORPORATION; and THE)
SHELBYVILLE MUNICIPAL WATER AND)
SEWER COMMISSION)

DEFENDANTS)

MOTION FOR EXTENSION OF TIME

** ** * * *

Comes the Complainant, by counsel, and respectfully moves that the Commission grant a thirty (30) day extension of time for each of the matters listed in the Commission's May 10, 1999 Order in this case. It is simply impossible for the undersigned to meet the initial interrogatory deadline contained in that Order. The undersigned has spoken with Frank Chuppe, Esq., and he has no objection to such an extension of time.

Mathis, Riggs & Prather, P.S.C.

By: 

Donald T. Prather
P.O. Box 1059
Shelbyville, Kentucky 40066-1059
Phone: (502) 633-5220
Fax: (502) 633-0667
Attorney for West Shelby Water District

CERTIFICATE OF SERVICE

It is certified that a true and correct copy of the foregoing Motion for Extension of Time was served by U.S. Mail, first class, postage prepaid, this 19~~th~~ day of May, 1999 upon the following:

Frank F. Chuppe, Esq.
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, Kentucky 40202-2898



Donald T. Prather

2wtr\ws\psc\9931\extension.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

May 10, 1999

To: All parties of record

RE: Case No. 99-031

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY 40067

The City of Shelbyville
315 Washington Street
Shelbyville, KY 40065

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY 40066

Honorable Donald T. Prather
Attorney for West Shelby Water
P. O. Box 1059
Shelbyville, KY 40066

Honorable Frank F. Chuppe
Counsel for City of Shelbyville
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, KY 40202 2898

3. Each party may, on or before May 21, 1999, serve upon any other party a request for production of documents and written interrogatories to be answered by the party served within 15 days of service.

4. Each party may, on or before June 14, 1999, serve upon any other party a supplemental request for production of documents and supplemental written interrogatories to be answered by the party served within 10 days of service.

5. Each party may, on or before July 14, 1999, take the testimony of any person by deposition upon oral examination pursuant to notice or by agreement.

6. On or before August 3, 1999, each party shall file with the Commission in verified form the direct testimony of each witness that it expects to call at the formal hearing.

7. On or before August 16, 1999, each party shall file with the Commission in verified form the testimony of each rebuttal witness that it expects to call at the formal hearing.

8. Nothing contained herein shall preclude the Commission from ordering, on its own motion, either party to respond to the Commission's interrogatories or to produce documents or other materials.

9. Any party may within 14 days of the filing of the hearing transcript with the Commission submit an initial written brief. Reply briefs may be submitted no later than 7 days after the filing of initial briefs. Initial briefs shall not exceed 25 pages in length. Reply briefs shall not exceed 10 pages in length.

10. Copies of all documents served upon any party shall be served on all other parties and filed with the Commission.

11. As the Complainant bears the burden of proof in this matter, its failure to appear at the formal hearing and present proof in support of its complaint may result in the dismissal of its complaint with prejudice.

12. The failure of Defendant to appear at the formal hearing may result in the entry of an Order granting the Complainant's requested relief.

Done at Frankfort, Kentucky, this 10th day of May, 1999.

By the Commission

ATTEST:


Executive Director

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059
SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

April 1, 1999

RECEIVED

APR 02 1999

PUBLIC SERVICE
COMMISSION

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

Re: West Shelby Water District vs City of Shelbyville,
Kentucky and The Shelbyville Municipal Water and Sewer
Commission
Case No. 99-031

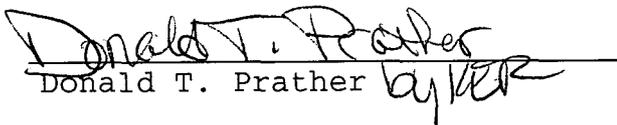
Dear Ms. Helton:

We enclose the original and thirteen copies of West Shelby
Water District's Reply for filing.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By:


Donald T. Prather

DTP/kr

Enclosures

cc: West Shelby Water District
Ray Larmee
Bob McDowell
John Frazier
Warner A. Broughman, III

2WTR\WS\PSC-19.LTR

4. Complainant agrees that the Public Service Commission should set a water rate that is fair and reasonable, and reflects Defendant's actual cost of selling water to West Shelby along with a reasonable rate of return to the Water Commission. The remaining allegations of Paragraph 6 of the Counterclaim are denied.

WHEREFORE, Complainant respectfully requests the relief set forth in its original Complaint.

Mathis, Riggs & Prather, P.S.C.

By: 

Donald T. Prather
P.O. Box 1059
Shelbyville, Kentucky 40066-1059
Phone: (502) 633-5220
Fax: (502) 633-0667
Attorney for West Shelby Water
District

CERTIFICATE OF SERVICE

It is certified that a true and correct copy of the foregoing Reply was served by U.S. Mail, first class, postage prepaid, this 1st day of April, 1999 upon the following:

Frank F. Chuppe
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, Kentucky 40202-2898


Donald T. Prather

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235

FAX: 502 589-0309

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

29 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
615 255-6161

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8822

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

March 19, 1999

**VIA FEDERAL EXPRESS
MONDAY A.M. DELIVERY**

RECEIVED

MAR 22 1999

PUBLIC SERVICE
COMMISSION

Stephanie Bell
Secretary of the Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

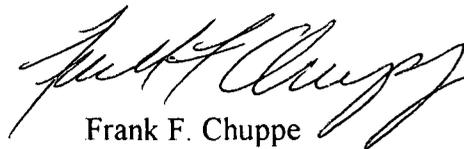
RE: Case No. 99-031

Dear Ms. Bell:

Enclosed please find 10 copies of the Defendant's Answer and Counterclaim which we are submitting for filing in the above case. Thank you for your attention to this matter and please don't hesitate to contact me if there are any questions.

Very truly yours,

WYATT, TARRANT & COMBS



Frank F. Chuppe

FFC/kdg
Enclosures
E:\FFC\BELL.LTR.wpd

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 22 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

WEST SHELBY WATER DISTRICT)
)
COMPLAINANT)
)
v.) CASE NO. 99-031
)
THE CITY OF SHELBYVILLE, KENTUCKY,)
A MUNICIPAL CORPORATION; and THE)
SHELBYVILLE MUNICIPAL WATER AND)
SEWER COMMISSION)
)
DEFENDANTS)

ANSWER AND COUNTERCLAIM

* * * * *

INTRODUCTION

The Defendant, Shelbyville Municipal Water and Sewer Commission ("Water Commission") has been selling water to the Complainant, West Shelby Water District ("West Shelby"), for more than 30 years. During that time West Shelby Water District has grown so significantly that its demand for water now has the potential for materially affecting, and affecting adversely, the operations of the Commission.

During all that time the parties have been operating under a contract that requires the Water Commission to sell water to West Shelby at a rate no higher than the lowest rate it charges any other customer, including customers within the City of Shelbyville. Moreover, since 1983, West Shelby's rates for water service have only increased twice, in 1994 and in 1998. The 1998 rate increase followed a March 1998 rate study by the Water Commission's outside engineering firm,

Howard K. Bell Consulting Engineers, that justified a rate of \$1.51 per 1,000 gallons using the cash basis for rate development, or \$1.65 per 1,000 using the utility basis for rate development. Notwithstanding that rate study, the Water Commission's rate increase to West Shelby was to only \$1.37 per 1,000 gallons.

Now, despite the fact that it has a rate much lower than is appropriate, West Shelby has initiated a Complaint with the Public Service Commission asking it to promulgate rates for the sale of the Water Commission's water to West Shelby. The Water Commission has no objection to the Public Service Commission setting rates that are fair and reasonable because the Water Commission believes that rate will be higher than the present rate. The Water Commission's Counterclaim herein asks for that relief.

As stated in the Answer herein, the Defendants do oppose the remainder of West Shelby's Complaint because it reveals a lack of understanding of the cost of providing water, and attempts to evade the Defendants' rules and ordinances designed to protect the operation of the Water System and its customers, as well as to protect against West Shelby's breach of the contract described herein.¹

ANSWER

The Defendants, City of Shelbyville and Shelbyville Municipal Water and Sewer Commission (hereinafter collectively referred to as "Shelbyville") state the following answer to the Complaint of West Shelby Water District ("West Shelby").

¹ To assist the reader, each paragraph of this Answer is preceded by the paragraph of the Complaint to which it answers.

1. The Complainant, West Shelby Water District ("West Shelby"), is a water district organized pursuant to Kentucky Revised Statutes Chapter 74, serving customers in Shelby and Jefferson Counties, Kentucky, and has a post office address of P.O. Box 26, Simpsonville, Kentucky 40067.

1. Shelbyville admits paragraph 1 of the Complaint.

2. The City of Shelbyville, Kentucky ("City") is a municipal corporation located in Shelby County, Kentucky, and has a mailing address of 315 Washington Street, Shelbyville, Kentucky 40065.

2. Shelbyville admits paragraph 2 of the Complaint.

3. The Shelbyville Municipal Water and Sewer Commission ("Commission") is a municipal utility company, owned and controlled by the City of Shelbyville, and has a mailing address of P.O. Box 608, Shelbyville, Kentucky 40066.

3. Shelbyville admits as much of paragraph 3 of the Complaint as alleges that the Shelbyville Municipal Water and Sewer Commission ("Water Commission") is a municipal utility with the mailing address stated in paragraph 3. The governing body of the Commission consists of five Commissioners who are appointed by the City of Shelbyville. Thus, the Water and Sewer Commission is not controlled by the City of Shelbyville.

4. Pursuant to KRS Section 278.040, Section 278.200, et seq., Simpson County War. District v. City of Franklin, Ky., 872 S.W.2d 460 (1994), and for the reasons set forth below, the Public Service Commission has jurisdiction over this matter.

4. Shelbyville admits as much of paragraph 4 of the Complaint as alleges that the Public Service Commission has jurisdiction over the rates that the Water Commission may charge West Shelby but denies the remaining portion of paragraph 4.

5. At all time relevant herein, and commencing with the creation of West Shelby, the City by and through the Commission, has been a major supplier of wholesale water for West Shelby.

5. Shelbyville admits as much of paragraph 5 of the Complaint as alleges that the Water Commission (not the City of Shelbyville) has been a major supplier of water for West Shelby at all times relevant to the Complaint. However, the Commission is also entitled to know some history regarding the relationship of the parties. In 1990, West Shelby made a major connection to the Louisville Water Company on U.S. Hwy. 60 in order to augment its water supply. Since that time, West Shelby has made connection to the Louisville Water Company for West Shelby's service area south of I-64. West Shelby has made these connections in large part because of its knowledge that the Water Commission's water supply is Guist Creek Lake, which has a limited long term supply. The history of West Shelby's relations with Shelbyville is adversarial due to demands and unreasonable positions that West Shelby has taken vis a vis the Water Commission during the past 20 years.

6. With the knowledge and approval of the City, the Eastern half of West Shelby (near Shelbyville) has become wholly reliance upon the Commission as the sole source of its wholesale water supply.

6. Shelbyville denies the allegations in paragraph 6 of the Complaint. Shelbyville has no authority to approve anything West Shelby does, including the source of its water purchases. Shelbyville further denies that West Shelby has become "wholly reliant" upon the Water Commission as the "sole source of its wholesale water supply," since West Shelby purchases water from the Louisville Water Company. The extent to which West Shelby has become reliant on the Commission for water supply is entirely a function of voluntary decisions made by West Shelby. Moreover, West Shelby has aggressively sought to increase its size, seeking industrial customers, even though such customers could have been better and more economically become customers of the Water

Commission. It is therefore ironic and unfair for West Shelby to imply that its alleged reliance on the Commission has been with Shelbyville's "approval."

7. The rate charged by the Commission to West Shelby was increased effective July 1, 1998 from \$1.15 per 1,000 gallons to \$1.37 per 1,000 gallons.

7. Shelbyville admits the allegations in paragraph 7 of the Complaint. This rate increase (only the second rate increase since 1983) was implemented following a rate study completed by Howard K. Bell Consulting Engineers in March 1998. This rate increase, which was applied to all of the Water Commission's customers, was needed in part to provide funds for the expansion of the Water Treatment Plant, part of the construction of a new water line of more than 9,000 linear feet of 14" Ductile Iron pipe, a new transmission line, and a portion of oversizing a new 1,000,000 gallon elevated storage tank. These projects benefit West Shelby.

The March 1998 rate study recommend that the Commission's rates to West Shelby (and the other water district which buys water from the Commission) be \$1.51 per 1,000 gallons using the cash basis for rate development, or \$1.65 per 1,000 gallons using the utility basis for rate development. Instead, the Commission adopted a \$1.37 rate per 1,000 gallons, which is also the lowest rate to any other Commission customer.

8. The City, moreover, has enacted a system development charge ordinance pursuant to which the Commission has been directed to assess West Shelby additional charges for West Shelby's purchased water should the quantity of same be in excess of West Shelby's contract limit. In contrast, large users within the City are able to increase their usage by up to 50% before paying the system development charge. The wholesale purchase rate charged by the City to West Shelby, together with the system development charge, has a direct bearing on the rates which West Shelby must charge to its users.

8. Shelbyville denies paragraph 8 of the Complaint. There is no "system development charge ordinance pursuant to which the Commission has been directed to assess West Shelby additional charges for West Shelby's water should the quantity of same be in excess of West Shelby's contract limit" (Complaint para. 8). Pursuant to City Ordinance, the Commission's System Development Charge is only applied to water districts at the time of contract renegotiations with the Commission. (See copy of Shelbyville's applicable ordinance, in which the portion of the System Development Charge referred to herein is highlighted in yellow). Thus, if a water district like West Shelby wishes to increase the limit of water to be purchased during a new contract term, the Shelbyville Ordinance allows the Commission to charge the water district a System Development charge. Under the terms of the Ordinance, that payment is applied towards the increase of the contract amount of water purchased.

By contrast, other customers of the Commission (i.e. commercial, industrial), are subject to pay a system development charge whenever an expansion occurs that causes their water use to exceed the prior annual average by more than 50%. Thus, while the application of the system development charge is different for water districts than other customers, it is not arbitrary or discriminatory.

9. In addition, the City has passed an ordinance whereby any wholesale purchaser which exceeds its contract limit will be assessed a penalty rate surcharge. This penalty has never been contractually agreed to by West Shelby nor submitted to the Public Service Commission for approval and should therefore be declared unenforceable as to West Shelby.

9. Shelbyville admits as much of paragraph 9 of the Complaint as alleges that Shelbyville has an ordinance which contains a surcharge for water districts that exceed their contractual limit for water usage. The amount of the surcharge is 84¢ per 1,000 gallons. This Ordinance, which was

enacted in 1990, was necessitated in part because West Shelby had frequently breached the Contract in the past by exceeding the contract limits on water purchased. When a large customer like West Shelby uses more water than it is contractually permitted, there can be material adverse consequences for the utility selling the water. The surcharge, which would only be applied when West Shelby breaches its contract with Shelbyville, has served its purpose. West Shelby has not exceeded its contract limit of water purchased from Shelbyville since the Ordinance was enacted. Shelbyville provided the Public Service Commission with a copy of this Ordinance in August, 1994, at the time Shelbyville submitted its contract with West Shelby to the Public Service Commission.

10. The rate increase is stated to be for future construction of water facilities. The Public Service Commission does not allow rates for construction to go into effect until the construction has been completed.

10. Shelbyville denies paragraph 10 of the Complaint.

11. In this instance, West Shelby will have no access to the extra capacity without payment of a rather large system development charge; therefore West Shelby will be paying for construction that is not going to benefit its customers, but will rather benefit future commercial, residential, and industrial customers located within the city limits of the City.

11. Shelbyville denies paragraph 11 of the Complaint. Moreover, West Shelby has the same "access" to the Water Commission's increased capacity as any other customer. If West Shelby wants to renegotiate its contract to increase the volume of water that it purchases from the Water Commission, then it is true that the subject of a system development charge is one of the items to be negotiated. Furthermore, as West Shelby knows, the Water Commission finances construction activities through the issuance of bonds. Bonds cannot be sold unless the Water Commission can afford to meet the debt service obligations for those bonds. When the bonds are sold, the

Commission must have a rate structure in place that will enable it to pay debt service and to meet the 1.20 debt service ratio to which they are contractually obligated to bond holders.

The Water Commission has recently completed or will complete construction activities referred to in paragraph 7 of this Answer. The water treatment plan expansion has an expected completion date of October 16, 1999. The construction of the new transmission line is complete. The elevated tank project is expected to be completed in October, 1999. The water treatment plant expansion was needed for two reasons. It was needed to allow the Water Commission to meet the more stringent water surface rule promulgated by the Kentucky Division of Water. It was also needed to increase treatment capacity, from which West Shelby, the Water Commission's largest purchaser of water, will benefit. Indeed, even though West Shelby's increased demand has been a significant reason that the Water Commission has needed to expand its treatment capacity over past years, West Shelby has not borne its fair share of that cost. For example, in 1987 the Water Commission granted West Shelby a 6 million gallon per month increase in its contract limit. This was made possible by a \$2.2 million treatment plant expansion, yet West Shelby received no rate increase on increased debt service charge until 1994 when the Water Commission raised the rates to all of its customers.

The fact is the Water Commission badly needed a rate increase in 1998. An audit for fiscal year ending June 30, 1998 showed an overall (water and sewer) debt service of coverage of 1.14, below the required 1.20 level. The debt service coverage for that period for the water portion of the utility was only 1.032. Moreover, without that increase, the Water Commission would not be able to assure a reliable supply of water to West Shelby.

12. The rate increase will partially be used to pay for construction of a water distribution main, an elevated storage tank, and certain waste water facility work. Since West Shelby is a wholesale water customer, the portion of the increase attributable to the construction of the water distribution main and the waste water facilities is clearly not allowable. Further, the elevated storage tank to be constructed is located south of I-64, completely on the other side of town from where West Shelby purchases its water. West Shelby's water is provided from two existing water storage tanks near its meter points. Accordingly, the storage tank cost is also not properly includable in a rate increase. Finally, the water plant expansion will only be properly includable in a rate increase if the system development charge ordinance is amended so that West Shelby is treated the same as the City's other customers on increased water purchases (Ex. no charge until 50% increase occurs), the penalty ordinance is repealed, and West Shelby is guaranteed that it will in fact be able to purchase additional water from the City and the Commission upon the same terms and conditions as the Commission's city customers.

12. Shelbyville denies paragraph 12 of the Complaint because it is replete with misinformation. First, the Water Commission's rate to West Shelby is based on water costs, not wastewater costs. Second, the "water distribution main" described in paragraph 12 is actually a major transmission main. It is part of the Water Commission's "northern loop," and has allowed the Commission to pump water from the plant to its customers at a greater rate and reduced pressures, actually reducing operation and maintenance costs. This construction was necessary to support the water treatment plant expansion. The construction was also necessary to improve the reliability of the transmission lines from the water plant.

The "northern loop" described above is used to provide service to West Shelby. The water treatment plant is located East of the City, of Shelbyville. The "northern loop" runs north of the City and continues West where it connects with the "southern loop" (which also starts at the water treatment plant and runs west). The two loops join west of the City; West Shelby's metering points are also due west of the City. West Shelby is entirely inaccurate if it is contenting that one of the transmission mains in one of the loops is not benefitting West Shelby.

Third, the elevated storage tank also benefits West Shelby. By asserting that West Shelby should not share in the costs of the storage, the Complaint shows a lack of understanding of water systems in general and the Water Commission's system in particular. The elevated storage tank is just south of I-64 and is tied through a 10" transmission main directly into the Water Commission's southern loop. The tank will be a major design hydraulic component of the overall system that supplies West Shelby. The Water Commission presently has 2 million gallons of overhead storage and 1.25 million of ground storage (cleanwells) at the water treatment plant. That is not enough. The average treated water for 1998 was 3.125 million gallons per day. It is the Water Commission's understanding that the Public Service Commission recommends that elevated storage be equivalent to the average demand for one day, 3.125 million gallons. The elevated storage tank treatment will address that need. West Shelby, and the other water district that buys water from the Commission buy more than 28% of the water sold by the Water Commission. Consequently, West Shelby's demand is a significant part of the reason for the need for the elevated storage tank and West Shelby will benefit from it.

The portion of paragraph 12 arguing that the System Development Charge should be the same for all customers is equally incorrect. West Shelby is not like every other customer. For one thing its water rates are over then any other customer. To get that rate, West Shelby, unlike other customers, is limited by contract to a certain maximum volume of water. Therefore, for West Shelby to demand the same treatment when it comes to a surcharge for excessive water use as other customers, when it is limited by contract to only a certain amount of water, is unreasonable and illogical.

Furthermore, the potential adverse impact on the Water Commission when West Shelby uses more water than the Contract allows is far greater than when any other customer exceeds normal use. For example, the industrial customer with the highest water use may use 1.5 million gallons per month. A 50% increase in water use by that customer is only 25,000 gallons per day or 0.5% of the Water Commission's plant capacity. By contract if West Shelby increases its use by 50%, that is 267,000 gallons per day or 5.8% of plant capacity. Thus, the potential for adverse impact is much greater for the Commission and its customers, particularly during peak conditions. Even if West Shelby was not limited by the Contract to a maximum volume of water, there are still valid reasons for the Water Commission to tailor its System Development Charge differently for water districts than other customers.

13. The City and Commission water revenues should not subsidize the City and Commission sewer revenues.

13. Shelbyville cannot admit or deny paragraph 13 of the Complaint, because paragraph 13 merely makes a point of argument. Shelbyville agrees that water revenues should not subsidize sewer revenues – and vice versa. Water revenues do not subsidize sewer revenues.

14. There is no bonafide, reasonable, economic reason for having a different system development charge apply to West Shelby as opposed to the system development charge which applies to residents of the City.

14. Paragraph 14 of the Complaint contains no factual allegations, but is merely a point of argument. Shelbyville denies paragraph 14. There are valid reasons why it is fair and reasonable for West Shelby (and the other water district) to have a different system development charge than other customers. West Shelby is only subject to a system development charge as part of contract

negotiation. That is unlike other customers who may owe a system development charge due to other circumstances. Additionally, West Shelby water usage has a much greater impact on the Water Commission than other customers. No water utility would treat all of its customer classes the same if differences among those classes mandate different rules. It is noteworthy that West Shelby is not complaining about different treatment from other classes of customers when it comes to paying lower water rates than do other customers.

15. West Shelby believes it is the intent and practice of the City, acting by and through the Commission, to unfairly subsidize the water rates charged to users inside the City by shifting the economic burden of water production and distribution to the customers of West Shelby and other customers outside the city limits.

15. Shelbyville denies paragraph 15 of the Complaint. This assertion, which was apparently inserted for no other reason than to attempt to prejudice the Public Service Commission against the City of Shelbyville, is patently untrue. It is so far off the mark that it bears on the underlying credibility of the remaining allegations in the Complaint. The water rates adopted by the Water Commission in 1998 were the result of a rate study by an outside engineering firm, which supported rates much higher than were adopted by Shelbyville. Despite experiencing tremendous growth, West Shelby experienced no rate increase from 1983 to 1994. The 1998 rate increase at issue was its only other rate increase. West Shelby has no basis to make the allegation contained in paragraph 15.

16. West Shelby believes that the new rate charged to West Shelby by the Commission will prove to be unreasonably high and wholly inequitable when the aforementioned improper expenses are disallowed.

16. Again, paragraph 16 of the Complaint contains no factual allegations, and is mere argument, which Shelbyville denies. The Water Commission's rates to West Shelby are neither too high, inequitable, nor based upon improper expenses.

WHEREFORE, the Water Commission asks that West Shelby's Complaint be dismissed.

COUNTERCLAIM

1. The Counterclaimant, Shelbyville Municipal Water and Sewer Commission ("Water Commission"), is a municipal utility operating in Shelby County.

2. The Water Commission has water purchase contracts with West Shelby Water District ("West Shelby") which is a water district organized under KRS Chapter 74, and whose mailing address is P.O. Box 26, Simpsonville, Kentucky. West Shelby is a public utility under the jurisdiction of the Public Service Commission.

3. In 1966, the Counterclaimant Water Commission and West Shelby entered into a contract (the "Contract") that set forth the criteria for the rates that the Water and Sewer Commission could charge West Shelby for the sale of water (A copy of the Contract is attached as Exhibit 1).

4. Under the terms of the 1966 Contract it was agreed that if the Water Commission changed its water rates to its other customers, it would also change its rate to West Shelby, provided that the rate charge would always be at the lowest rate the Water Commission charged its other customers:

It is agreed that if, in the future, a change in the Commission's water rate is made to its other water customers, the rate to the District shall also be adjusted, up or down as the case may be. Inasmuch as the current rate of 35 cents per 1000 gallons is the

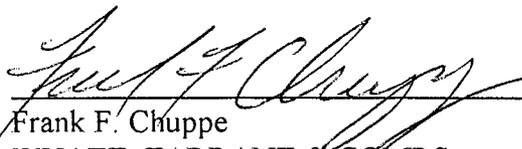
lowest rate per 1000 gallons for which the Commission charges for water service, any future adjustment of the District's water rates shall be to the Commission's lowest rate per 1000 gallons [Contract, p. 4].

5. Due to West Shelby's growth, its purchase of water from the Water Commission has also increased significantly since the date of the Contract. Moreover, the present rate that the Water Commission charges West Shelby, \$1.37 per 1,000 gallons, is too low to reflect the Water Commission's actual cost in selling water to West Shelby.

6. Therefore, the Water Commission is bringing this Counterclaim against West Shelby to ask the Public Service Commission to set a water rate that is fair and reasonable, and unlike the present rate, is high enough to reflect the Water Commission's actual cost of selling water to West Shelby along with a reasonable rate of return to the Water Commission.

WHEREFORE, the Water Commission requests that the Public Service commission consider evidence from the parties to determine the rate that the Water Commission should charge West Shelby.

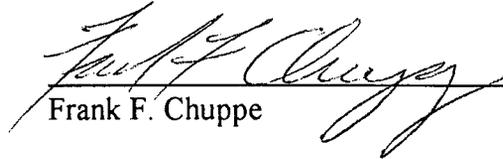
Respectfully submitted,


Frank F. Chuppe
WYATT, TARRANT & COMBS
Citizens Plaza
Louisville, Kentucky 40202-2898
(502) 562-7336

Counsel for The Shelbyville Municipal Water and
Sewer Commission, and the City of Shelbyville

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by U.S. Mail, first class, postage prepaid, this 14 day of March, 1999, upon Donald T. Prather, P.O. Box 1059, Shelbyville, Kentucky 40066.



Frank F. Chuppe

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COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 10, 1999

To: All parties of record

RE: Case No. 99-031

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY 40067

The City of Shelbyville
315 Washington Street
Shelbyville, KY 40065

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY 40066

Honorable Donald T. Prather
Attorney for West Shelby Water
P. O. Box 1059
Shelbyville, KY 40066

RECEIVED

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 99-031

JAN 25 1999

PUBLIC SERVICE
COMMISSION

WEST SHELBY WATER DISTRICT

COMPLAINANT

v

COMPLAINT

THE CITY OF SHELBYVILLE, KENTUCKY
a municipal corporation; and
THE SHELBYVILLE MUNICIPAL WATER
AND SEWER COMMISSION

DEFENDANTS

** ** * ** **

COMES NOW the Complainant, West Shelby Water District, and for its formal Complaint against the Defendants, the City of Shelbyville, Kentucky and the Shelbyville Municipal Water and Sewer Commission, states and alleges as follows:

1. The Complainant, West Shelby Water District ("West Shelby"), is a water district organized pursuant to Kentucky Revised Statutes Chapter 74, serving customers in Shelby and Jefferson Counties, Kentucky, and has a post office address of P.O. Box 26, Simpsonville, Kentucky 40067.

2. The City of Shelbyville, Kentucky ("City") is a municipal corporation located in Shelby County, Kentucky, and has a mailing address of 315 Washington Street, Shelbyville, Kentucky 40065.

3. The Shelbyville Municipal Water and Sewer Commission ("Commission") is a municipal utility company, owned and controlled by the City of Shelbyville, and has a mailing address of P.O. Box 608, Shelbyville, Kentucky 40066.

4. Pursuant to KRS Section 278.040, Section 278.200, et seq., Simpson County Water District v. City of Franklin, Ky., 872 S.W.2d 460

(1994), and for the reasons set forth below, the Public Service Commission has jurisdiction over this matter.

5. At all times relevant herein, and commencing with the creation of West Shelby, the City by and through the Commission, has been a major supplier of wholesale water for West Shelby.

6. With the knowledge and approval of the City, the Eastern half of West Shelby (near Shelbyville) has become wholly reliant upon the Commission as the sole source of its wholesale water supply.

7. The rate charged by the Commission to West Shelby was increased effective July 1, 1998 from \$1.15 per 1,000 gallons to \$1.37 per 1,000 gallons.

8. The City, moreover, has enacted a system development charge ordinance pursuant to which the Commission has been directed to assess West Shelby additional charges for West Shelby's purchased water should the quantity of same be in excess of West Shelby's contract limit. In contrast, large users within the City are able to increase their usage by up to 50% before paying the system development charge. The wholesale purchase rate charged by the City to West Shelby, together with the system development charge, has a direct bearing on the rates which West Shelby must charge to its users.

9. In addition, the City has passed an ordinance whereby any wholesale purchaser which exceeds its contract limit will be assessed a penalty rate surcharge. This penalty has never been contractually agreed to by West Shelby nor submitted to the Public Service Commission for approval and should therefore be declared unenforceable as to West Shelby.

10. The rate increase is stated to be for future construction

of water facilities. The Public Service Commission does not allow rates for construction to go into effect until the construction has been completed.

11. In this instance, West Shelby will have no access to the extra capacity without payment of a rather large system development charge; therefore West Shelby will be paying for construction that is not going to benefit its customers, but will rather benefit future commercial, residential, and industrial customers located within the city limits of the City.

12. The rate increase will partially be used to pay for construction of a water distribution main, an elevated storage tank, and certain waste water facility work. Since West Shelby is a wholesale water customer, the portion of the increase attributable to the construction of the water distribution main and the waste water facilities is clearly not allowable. Further, the elevated storage tank to be constructed is located south of I-64, completely on the other side of town from where West Shelby purchases its water. West Shelby's water is provided from two existing water storage tanks near its meter points. Accordingly, the storage tank cost is also not properly includable in a rate increase. Finally, the water plant expansion will only be properly includable in a rate increase if the system development charge ordinance is amended so that West Shelby is treated the same as the City's other customers on increased water purchases (Ex. no charge until 50% increase occurs), the penalty ordinance is repealed, and West Shelby is guaranteed that it will in fact be able to purchase additional water from the City and the Commission upon the same terms and conditions as the Commission's city

customers.

13. The City and Commission water revenues should not subsidize the City and Commission sewer revenues.

14. There is no bonafide, reasonable, economic reason for having a different system development charge apply to West Shelby as opposed to the system development charge which applies to residents of the City.

15. West Shelby believes it is the intent and practice of the City, acting by and through the Commission, to unfairly subsidize the water rates charged to users inside the City by shifting the economic burden of water production and distribution to the customers of West Shelby and other customers outside the city limits.

16. West Shelby believes that the new rate charged to West Shelby by the Commission will prove to be unreasonably high and wholly inequitable when the aforementioned improper expenses are disallowed.

WHEREFORE, West Shelby asks as follows:

1. That the Public Service Commission promulgate rates for the purchase of wholesale water by West Shelby from the City and the Commission that are fair and reasonable.

2. That the Public Service Commission, in calculating such fair and reasonable rates, disallow all expenses for the water plant expansion unless the City and the Commission agree to supply West Shelby with sufficient water volume, and to do so without the imposition of penalties or additional costs, to service both its present needs and its future anticipated growth, and especially to do so upon the same terms and conditions and at the same price as extended to the customers residing within the city limits of the City.

3. That the City and the Commission be directed to refund to West Shelby, for the benefit of, an ultimate refund to, its users, an amount equal to the excessive rates charged by the City and the Commission to West Shelby for the wholesale purchase of water from the City and the Commission beginning with the most recent rate increase and, if determined by the Public Service Commission, prior to that date.

4. That it be granted all other relief to which it may appear entitled.

Dated at Shelbyville, Kentucky, on this the 12th day of January, 1999.

Mathis, Riggs & Prather, P.S.C.

By: 

Donald T. Prather
P.O. Box 1059
Shelbyville, Kentucky 40066
Phone: (502) 633-5220
Fax: (502) 633-0667
Attorney for Complainant,
West Shelby Water District

2wtr\ws\complaint.psc



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Paul E. Patton
Governor

Laura Douglas, Secretary
Public Protection and
Regulation Cabinet

February 9, 1999

Honorable Frank F. Chuppe
Wyatt, Tarrant & Combs
Citizens Plaza
Louisville, KY 40202-2895

Re: Case No. 99-031

Dear Mr. Chuppe:

The Commission is in receipt of your February 4, 1999 letter requesting a copy of the initial application in case number 99-031. A copy of this application is enclosed.

If you need further information please contact Susan Hutcherson of my staff at (502) 564-3940 extension 215.

Sincerely

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

dd

Enclosure



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

WYATT, TARRANT & COMBS

CITIZENS PLAZA

LOUISVILLE, KENTUCKY 40202-2898

502 589-5235

FAX: 502 589-0309

RECEIVED

FEB 4 1999

PUBLIC SERVICE
COMMISSION

1700 LEXINGTON FINANCIAL CENTER
LEXINGTON, KY 40507-1746
606 233-2012

TAYLOR-SCOTT BUILDING
FRANKFORT, KY 40601-1807
502 223-2104

ELSBY BUILDING
NEW ALBANY, IN 47150-3440
812 945-3561

1500 NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1750
615 244-0020

29 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
615 255-6161

313 E. MAIN STREET, SUITE 1
HENDERSONVILLE, TN 37075-2546
615 822-8622

6075 POPLAR AVENUE, SUITE 650
MEMPHIS, TN 38119-4721
901 537-1000

10368 WALLACE ALLEY STREET, SUITE 6
KINGSPORT, TN 37663-3977
423 279-1825

WRITER'S DIRECT DIAL NUMBER

502 562-7336

February 3, 1999

VIA FACSIMILE AND MAIL

Stephanie Bell
Secretary of the Commission
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

RE: Case No. 99-031

Shelbyville Municipal Water and Sewer Commission (Complaints - Rates)
West Shelby Water District

Dear Ms. Bell:

On behalf of the Shelbyville Municipal Water and Sewer Commission, I am writing to request a copy of the initial application in the above case which is referenced in your enclosed notice of January 29, 1999. Thank you for your attention to this request, and please do not hesitate to contact me if there are any questions.

Very truly yours,

WYATT, TARRANT & COMBS


Frank F. Chuppe

FFC/kdg
Enclosure

cc: Gene P. Fouts
E:\FFC\BELL-S.LTR.wpd



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 29, 1999

To: All parties of record

RE: Case No. 99-031

SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
(Complaints - Rates) OF WEST SHELBY WATER DISTRICT

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received January 25, 1999 and has been assigned Case No. 99-031. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie J. Bell".

Stephanie Bell
Secretary of the Commission

SB/jc



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 29, 1999

To: All parties of record

RE: Case No. 99-031
SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
(Complaints - Rates) OF WEST SHELBY WATER DISTRICT

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received January 25, 1999 and has been assigned Case No. 99-031. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie J. Bell".

Stephanie Bell
Secretary of the Commission

SB/jc

Ray Larmee
Chairman
West Shelby Water District
P. O. Box 26
7101 Shelbyville Road
Simpsonville, KY. 40067

The City of Shelbyville
315 Washington Street
Shelbyville, KY. 40065

Gene P. Fouts
Manager
Shelbyville Municipal Water and
Sewer Commission
1059 Washington St.
P. O. Box 608
Shelbyville, KY. 40066

Honorable Donald T. Prather
Attorney for West Shelby Water
P. O. Box 1059
Shelbyville, KY. 40066

99-00060

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW
500 MAIN STREET · P.O. BOX 1059
SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.
T. SHERMAN RIGGS
DONALD T. PRATHER

HAROLD Y. SAUNDERS
OF COUNSEL

TELEPHONE: (502) 633-5220
FAX: (502) 633-0667

January 21, 1999

RECEIVED
JAN 25 1999
PUBLIC SERVICE
COMMISSION
case
99-031

Helen Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602-0615

Re: West Shelby Water District vs City of Shelbyville,
Kentucky and The Shelbyville Municipal water and Sewer
Commission

Dear Ms. Helton:

We enclose the original and thirteen copies of the Complaint
for filing.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: Donald T. Prather
Donald T. Prather by *kr*

DTP/kr
Enclosures
cc: West Shelby Water District
Ray Larmee, Chairman
Warner A. Broughman, III
2WTR\WS\PSC-16.LTR

Bg

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 99-031 **RECEIVED**

WEST SHELBY WATER DISTRICT

JAN 25 1999

COMPLAINANT

v

COMPLAINT

PUBLIC SERVICE
COMMISSION

THE CITY OF SHELBYVILLE, KENTUCKY
a municipal corporation; and
THE SHELBYVILLE MUNICIPAL WATER
AND SEWER COMMISSION

DEFENDANTS

** ** * * * * *

COMES NOW the Complainant, West Shelby Water District, and for its formal Complaint against the Defendants, the City of Shelbyville, Kentucky and the Shelbyville Municipal Water and Sewer Commission, states and alleges as follows:

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4. Pursuant to KRS Section 278.040, Section 278.200, et seq., Simpson County Water District v. City of Franklin, Ky., 872 S.W.2d 460

(1994), and for the reasons set forth below, the Public Service Commission has jurisdiction over this matter.

5. At all times relevant herein, and commencing with the creation of West Shelby, the City by and through the Commission, has been a major supplier of wholesale water for West Shelby.

6. With the knowledge and approval of the City, the Eastern half of West Shelby (near Shelbyville) has become wholly reliant upon the Commission as the sole source of its wholesale water supply.

7. The rate charged by the Commission to West Shelby was increased effective July 1, 1998 from \$1.15 per 1,000 gallons to \$1.37 per 1,000 gallons.

8. The City, moreover, has enacted a system development charge ordinance pursuant to which the Commission has been directed to assess West Shelby additional charges for West Shelby's purchased water should the quantity of same be in excess of West Shelby's contract limit. In contrast, large users within the City are able to increase their usage by up to 50% before paying the system development charge. The wholesale purchase rate charged by the City to West Shelby, together with the system development charge, has a direct bearing on the rates which West Shelby must charge to its users.

9. In addition, the City has passed an ordinance whereby any wholesale purchaser which exceeds its contract limit will be assessed a penalty rate surcharge. This penalty has never been contractually agreed to by West Shelby nor submitted to the Public Service Commission for approval and should therefore be declared unenforceable as to West Shelby.

10. The rate increase is stated to be for future construction

of water facilities. The Public Service Commission does not allow rates for construction to go into effect until the construction has been completed.

11. In this instance, West Shelby will have no access to the extra capacity without payment of a rather large system development charge; therefore West Shelby will be paying for construction that is not going to benefit its customers, but will rather benefit future commercial, residential, and industrial customers located within the city limits of the City.

12. The rate increase will partially be used to pay for construction of a water distribution main, an elevated storage tank, and certain waste water facility work. Since West Shelby is a wholesale water customer, the portion of the increase attributable to the construction of the water distribution main and the waste water facilities is clearly not allowable. Further, the elevated storage tank to be constructed is located south of I-64, completely on the other side of town from where West Shelby purchases its water. West Shelby's water is provided from two existing water storage tanks near its meter points. Accordingly, the storage tank cost is also not properly includable in a rate increase. Finally, the water plant expansion will only be properly includable in a rate increase if the system development charge ordinance is amended so that West Shelby is treated the same as the City's other customers on increased water purchases (Ex. no charge until 50% increase occurs), the penalty ordinance is repealed, and West Shelby is guaranteed that it will in fact be able to purchase additional water from the City and the Commission upon the same terms and conditions as the Commission's city

customers.

13. The City and Commission water revenues should not subsidize the City and Commission sewer revenues.

14. There is no bonafide, reasonable, economic reason for having a different system development charge apply to West Shelby as opposed to the system development charge which applies to residents of the City.

15. West Shelby believes it is the intent and practice of the City, acting by and through the Commission, to unfairly subsidize the water rates charged to users inside the City by shifting the economic burden of water production and distribution to the customers of West Shelby and other customers outside the city limits.

16. West Shelby believes that the new rate charged to West Shelby by the Commission will prove to be unreasonably high and wholly inequitable when the aforementioned improper expenses are disallowed.

WHEREFORE, West Shelby asks as follows:

1. That the Public Service Commission promulgate rates for the purchase of wholesale water by West Shelby from the City and the Commission that are fair and reasonable.

2. That the Public Service Commission, in calculating such fair and reasonable rates, disallow all expenses for the water plant expansion unless the City and the Commission agree to supply West Shelby with sufficient water volume, and to do so without the imposition of penalties or additional costs, to service both its present needs and its future anticipated growth, and especially to do so upon the same terms and conditions and at the same price as extended to the customers residing within the city limits of the City.

3. That the City and the Commission be directed to refund to West Shelby, for the benefit of, an ultimate refund to, its users, an amount equal to the excessive rates charged by the City and the Commission to West Shelby for the wholesale purchase of water from the City and the Commission beginning with the most recent rate increase and, if determined by the Public Service Commission, prior to that date.

4. That it be granted all other relief to which it may appear entitled.

Dated at Shelbyville, Kentucky, on this the 12th day of January, 1999.

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